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TOBACCO Situation

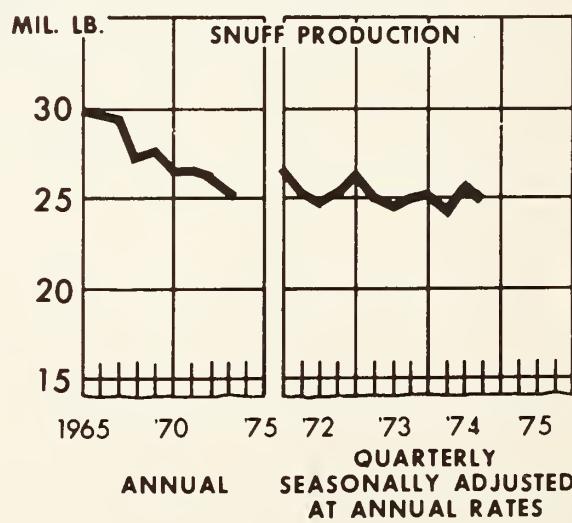
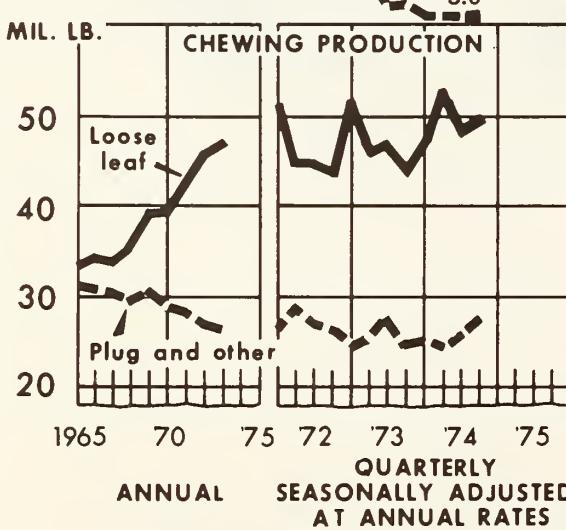
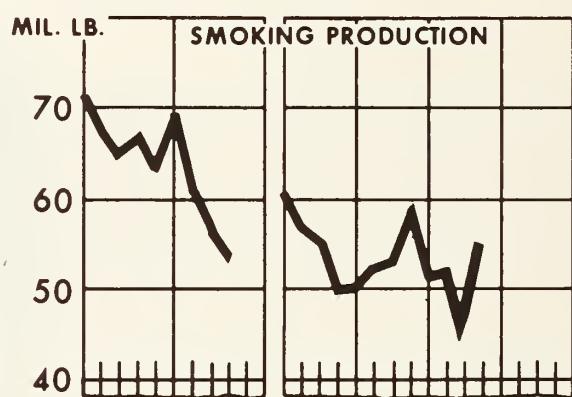
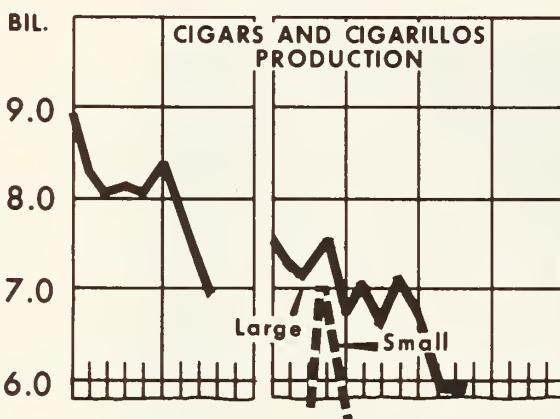
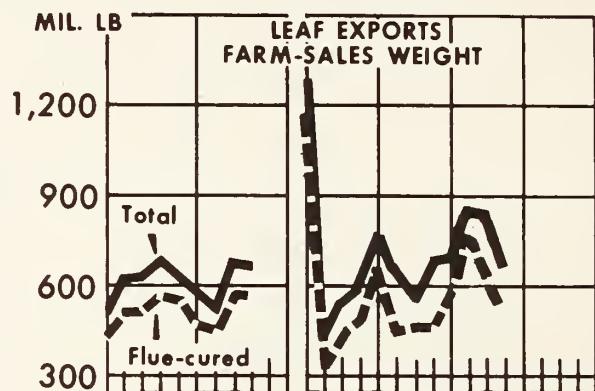
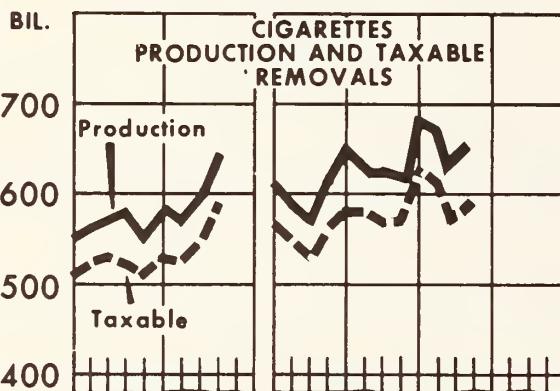
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TOBACCO OUTLETS

Trends in Manufactured Products and Exports



LAST QUARTER SHOWN ESTIMATED.

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 229-74 (9) ECONOMIC RESEARCH SERVICE

THE TOBACCO SITUATION

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Principal contributor:
Robert H. Miller

Commodity Economics Division

Economic Research Service

U.S. Department of Agriculture
Washington, D.C. 20250

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The *Tobacco Situation* is published in March, June,
September, and December.

SUMMARY

Grown outside the major U.S. drought areas, tobacco is in good shape this year in comparison with other major field crops. This year's tobacco crop is one-seventh larger than in 1973, but a smaller carryover is reducing supply for the 1974/75 marketing year by 2 percent. This tenth straight annual decline would leave the supply of 5 billion pounds a little short of manufacturers' and exporters' desired balance with utilization.

The September 1 estimate is for a crop of about 2 billion pounds (including Puerto Rico) up 15 percent from 1973. This results from a 9 percent larger acreage and yields forecast 6 percent higher. Carryover of tobacco for the 1974/75 marketing year (beginning July 1 for flue-cured and cigar wrapper types, October 1 for all others) is down about 10 percent.

Disappearance in 1974/75 may total near the 2.1 billion pounds of the marketing year now ending. Gains in U.S. cigarette production and strong demand for high value tobacco in foreign markets mean record levels of use for U.S. flue-cured. Burley benefits from the worldwide surge in the output of blended cigarettes. But its difficult to believe that the worldwide sag in consumer buying power will not affect the tobacco industry, especially with consumer outlays already swollen by rising food and energy prices.

For the year ending next June, U.S. cigarette output is expected to exceed the 652 billion cigarettes produced in fiscal year 1974. Population and per capita consumption are increasing. Cigarette prices have increased only moderately in comparison with the inflationary spiral the rest of the economy is experiencing. Persons 18 and older will smoke more cigarettes in calendar 1974 than last year's 208 packs per capita, raising total U.S. cigarette consumption by 4 percent. Chewing tobacco output continues on the upswing. By contrast, for large cigars, snuff, and smoking tobacco, the outlook is for continuation of stable or declining trends.

Despite lower tobacco supplies and higher prices, leaf exports this fiscal year may equal last season's 657 million pounds (730 million, farm-sales weight). Reduced stocks and production shortfalls are still evident in other countries, and this year's flue-cured crop has been actively sought by buyers for both major and minor destinations. The United Kingdom,

a major U.S. export destination, increased its takings in 1973/74 but may take less this season, although the trade embargo with Rhodesia continues. Japan is expected to take more U.S. tobacco and West Germany may take about the same.

U.S. manufacturers' stocks of imported cigarette types of tobacco on July 1 represented 2½ years' usings. With foreign tobacco enjoying a price advantage, U.S. tobacco imports for cigarettes in 1974/75 may rise above last fiscal year's 200 million pounds. Imports for consumption in 1973/74 rose 23 million pounds.

In 1973/74 U.S. cigar manufacturers used about two-thirds foreign-grown and one-third domestic tobacco in cigars. Cigar manufacturers may further increase the share of imported tobacco.

The national marketing quota for the 1975 flue-cured tobacco crop will be announced by December 1. Individual farm quotas and allotments will reflect overmarketings and undermarketings in the current crop. Marketing quotas for burley and other kinds of tobacco will be announced by next February 1. Based on the formula required by law, 1975 price support levels for eligible tobaccos seem likely to increase about a tenth over 1974.

The supply of U.S. flue-cured tobacco may be stabilizing. This leading kind of tobacco for cigarettes and exports is estimated at 2.9 billion pounds, about the same as last year. Although the 1974 crop is indicated at 1.3 billion pounds, up 12 percent, the carryover into the current season was down 8 percent. During the past marketing year

exports rose 15 percent to a record high while domestic use gained 6 percent; total use gained 10 percent. Little change is expected this season. Use should about equal marketings, so the carryover next July 1 may change little.

Farmers started selling the 1974 crop in mid-July, the earliest opening on record. Under the grower designation program, begun this season, farmers marketed over one-half of the 1974 flue-cured tobacco crop by September 12. Weekly sales were well above the same period of 1973. Also, this season's prices surged to record levels, and by the second week of September farmers had chalked up an average 16 percent above that date a year earlier. Growers placed only 3 percent of marketings under government loan. Low loan placements plus heavy sales from loan stocks have reduced uncommitted loan stocks to the lowest level since the early 1950's.

The supply of U.S. burley tobacco may total about 3 percent below a year earlier. Currently, supply represents about 2.6 years' use, barely enough for trade requirements. The crop is one-fourth larger than last year. Acreage is up and yield prospects are near average. Carryover from 1973/74 is down sharply. Disappearance probably gained 2½ percent during the 1973/74 crop year (October-September).

Although 1974 production of fire-cured, dark air-cured, and cigar types is much the same as 1973, smaller carryover will reduce 1974/75 supplies of these types. Maryland supplies remain about unchanged. Reduced supplies of these kinds will hold down use.

TOBACCO PRODUCTS

Cigarette Use Continues Rising

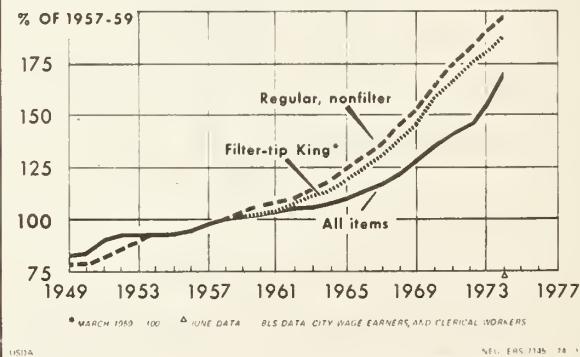
U.S. cigarette smoking in calendar 1974 likely will rise 4 percent over 1973. More people are of smoking age, and anti-smoking efforts remain reduced. Since last year, cigarette prices have increased less than prices for most consumer items. Per capita use is up from last year's level. These market conditions are expected to continue in 1975, and lift total smoking again. In 1974 inventories have been reduced but output may still rise about 2 percent from last year. (table 1). Next year's output should gain further.

Americans smoked 311 billion cigarettes in the first half of 1974, about 4½ percent above a year earlier. In the second half of 1974, the figure is expected to exceed the 294 billion of a year earlier.

Consumption per person (18 and older) this year is rising further, by an estimated 3 percent above 1973 when 4,157 cigarettes (208 packs) were used (table 2). The rising proportion of filter-tip sales has been associated with increased total sales. The filter share may have gained again this year (table 3).

In the first 7 months of 1974, cigarette exports increased 20 percent. The rapid growth in exports is

CONSUMER PRICE INDEX AND CIGARETTE PRICES



due to rising incomes in importing countries, the high quality of our products, and our enhanced competitive position due to currency realignments since 1971.

Cigarette Prices Moving Up

The uptrend in retail prices is continuing. Although State and local governments have held tax rates

Table 1.--Cigarettes: Output, removals, and consumption, 1960-74

Year	Output	Removals					Total U.S. consump- tion 3/
		Tax-exempt					
	Taxable	Total	Exports	Puerto Rico	Overseas forces		
				1/	2/		
<u>Billions</u>							
1960	506.9	470.1	37.0	20.2	2.5	14.3	484.4
1961	528.3	488.1	39.6	22.2	2.8	14.6	502.7
1962	535.5	494.5	41.1	24.1	3.1	13.9	508.4
1963	550.6	509.6	41.1	23.6	3.2	14.3	523.9
1964	539.9	497.4	42.6	25.1	3.7	13.8	511.2
1965	556.8	511.5	44.2	23.1	3.9	17.2	528.7
1966	567.3	522.5	46.1	23.5	3.9	18.7	541.2
1967	576.2	527.8	49.0	23.7	3.9	21.4	549.2
1968	579.5	523.0	53.8	26.5	4.7	22.6	545.7
1969	557.6	510.5	47.1	25.0	3.7	18.4	528.9
1970	583.2	532.8	51.2	29.2	3.7	18.4	4/536.4
1971	576.4	528.9	49.2	31.8	2.7	14.7	5/555.1
1972	599.1	551.0	49.0	34.6	2.1	12.3	5/566.8
1973	644.2	590.3	55.9	41.5	2.0	12.4	4/591.2
1974 6/	655.0	594.0	64.0	50.0	2.0	12.0	5/617.0
Year ending June 30 --							
1964	535.0	495.1	40.8	23.7	3.5	13.6	508.7
1965	562.4	517.0	43.9	25.1	3.7	15.1	532.1
1966	562.7	516.1	47.2	23.4	4.1	19.7	535.8
1967	572.8	524.9	47.7	23.8	3.7	20.2	545.1
1968	570.7	522.6	48.7	23.5	4.1	21.1	543.7
1969	573.0	520.3	51.5	25.8	4.4	21.3	541.6
1970	562.2	511.7	51.0	28.6	3.8	18.6	530.3
1971	585.1	539.6	47.5	29.0	3.3	15.2	4/544.0
1972	592.6	542.6	50.2	32.8	2.2	15.2	5/566.4
1973	615.6	562.7	50.4	38.3	2.3	11.8	5/576.8
1974 7/	652.0	595.0	59.1	44.9	2.1	14.2	4/605.5

1/ Also includes Virgin Islands, Guam, American Samoa, Wake, and Canton and Enderbury Islands.

2/ Also includes ship stores and small tax-exempt categories.

3/ Taxable removals, overseas forces, and small import categories.

4/ Excludes estimated inventory increase.

5/ Includes estimated inventory decrease.

6/ Estimated.

7/ Subject to revision.

Compiled from reports of the Bureau of Alcohol, Tobacco, and Firearms and the Bureau of the Census.

Table 2.—Consumption per capita of tobacco products in the United States
(including overseas forces), 1965-1974

Year	Per capita 18 years and over				Per male 18 years and over			
	Cigarettes ¹		Snuff	All tobacco products ¹	Large cigars and cigarillos		Smoking tobacco ²	Chewing tobacco ²
	Number	Pounds	Pounds	Pounds	Number	Pounds	Pounds	Pounds
1965	4,258	9.37	.24	11.51	143.8	2.57	1.19	1.07
1966	4,287	9.08	.23	11.12	136.1	2.41	1.13	1.05
1967	4,280	8.86	.23	10.80	130.7	2.28	1.08	1.04
1968	4,186	8.69	.21	10.59	126.5	2.15	1.11	1.05
1969	3,993	8.11	.20	10.04	125.0	2.11	1.08	1.09
1970	3,985	7.77	.19	9.68	125.3	2.08	1.15	1.06
1971	4,037	7.75	.19	9.52	119.2	1.94	1.06	1.09
1972	4,043	7.95	.18	9.65	108.9	1.74	1.00	1.08
1973 ³	4,157	7.94	.18	9.55	102.4	1.61	.89	1.10
1974 ⁴	4,270	8.10	.17	9.65	91.9	1.47	.88	1.10

¹ Unstemmed processing weight. ² Finished product weight. ³ Subject to revision. ⁴ Estimated.

Table 3.—Cigarette output of filter-tip and nonfilter-tip by length, 1971-73

Item	1971		1972		1973	
	Output	Percent of total	Output	Percent of total	Output	Percent of total
			Billions	Percent	Billions	Percent
Filter-tip						
Regular 70 mm.....	0.7	0.1	0.6	.1	3.2	0.5
Long 80 mm.....	50.3	8.7	52.0	8.7	61.8	9.6
King 85 mm.....	311.1	54.0	323.0	53.9	349.0	54.2
Extra long 100 mm.	113.1	19.6	126.0	21.0	136.0	21.1
Total	475.2	82.4	501.6	83.7	550.0	85.4
Nonfilter-tip						
Regular 70 mm.....	47.1	8.2	44.8	7.5	42.8	6.6
King 85 mm.	54.1	9.4	52.6	8.8	51.4	8.0
Total	101.2	17.6	97.4	16.3	94.2	14.6
Grand total	576.4	100.0	599.0	100.0	644.2	100.0

¹ Cigarettes having other lengths were included in the most nearly comparable group.

Cigarette exports from the United States to leading destinations, 1973-74¹

Country	January-July		
	July 1973-June 1974	1973	1974
	Billions	Billions	Billions
Hong Kong	5.0	2.7	2.8
Spain	3.6	1.6	1.8
Kuwait	2.4	1.0	1.8
Netherlands Antilles	2.0	1.2	1.2
Paraguay .....	.9	.1	.5
France .....	.2	.2	.2
West Germany .....	.4	.2	.3
Italy .....	.7	.4	.3
Ecuador	1.6	1.0	1.4
Panama	1.2	1.1	.7
Canary Islands	1.1	.3	.8
Lebanon	2.7	1.0	1.4
Other countries	23.1	11.8	13.9
Total	44.9	22.6	27.1

¹ Subject to revision.

Compiled from publications and records of the Bureau of the Census.

nearly constant this calendar year (table 4), rising costs mean further increases in retail tobacco prices may occur next year.

In July, retail prices (filter-tip, king size) were 5 percent above a year earlier. The increase followed the manufacturers' boost of wholesale prices in May.

Since the start of 1974 State cigarette tax rates have increased in 2 States. This compares with increases in 2 States in 1973 and 6 States and the District of Columbia in 1972. The weighted average State cigarette tax was 12.1 cents per pack in mid-1974, about the same as a year earlier.

State taxes range from 2 cents per pack in North Carolina to 21 cents in Connecticut. Many city and local governments also tax cigarettes. The Federal cigarette tax has been 8 cents per pack since 1951.

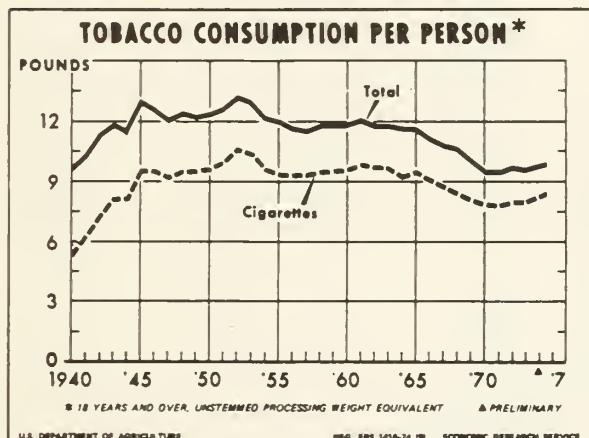
Large-Cigar Volume Off

Consumption of *large cigars* (including cigarillos) this year is falling a tenth below the 1973 level of 7

Table 4.—Tobacco demand factors, 1965-74

Year	Population July 1 ¹	Disposable personal income, per capita ²		Consumer price indexes					
		Current prices	1958 prices	All items	Tobacco products	Cigarettes		Cigars, regular size	
						1967=100	1967=100		
		Million	Dollars	Dollars	1967=100	1967=100	1967=100	1967=100	1967=100
1965	124.2	2,436	2,239	94.5	91.8	91.1	91.7	97.2	
1966	126.3	2,604	2,335	97.2	96.3	96.0	96.3	98.6	
1967	128.3	2,749	2,403	100.0	100.0	100.0	100.0	100.0	
1968	130.4	2,945	2,486	104.2	106.3	106.9	106.4	101.3	
1969	132.5	3,130	2,534	109.8	111.9	112.7	112.3	104.3	
1970	135.1	3,376	2,610	116.3	122.2	122.4	122.5	105.4	
1971	137.5	3,605	2,679	121.3	126.4	127.9	128.1	107.1	
1972	139.8	3,813	2,769	125.3	133.4	134.8	135.4	110.8	
1973	142.2	4,295	2,945	133.0	137.0	138.7	139.1	112.9	
1974 ³	144.6	4,632	2,863	148.0	144.0	146.0	147.0	119.5	

¹ 18 years and older including armed forces overseas. ² Based on total population. ³ Estimated.



billion cigars. Use will do well to hold its own next year (table 5). About 10 percent fewer cigars are being smoked this year, per male 18 and older, than 1973's average of 102 cigars. Midyear retail prices averaged 6 percent above year-ago levels.

For imported cigars the upward trend continues. Both U.S. and Puerto Rican production is down. Taxable removals (domestic consumption) of cigars, by revenue class, through June of this year showed substantial gains in the high-price categories, continued declines in the lower price groups (Classes A-D), and a sag in the medium price group (Class E). Price changes affect some of these comparisons.

Cigars: Taxable removals by revenue class, 1973-74

Revenue and retail price	January-June		Change from 1974
	1973	1974	
	Billions	Billions	Percent
A-D (up to 8 cents)	2.06	1.66	-19.4
E (over 8 to 15 cents)	1.10	.98	-10.9
F-G (over 15 cents) .....	.29	.43	+48.2
Total removals	3.45	3.07	-11.0

Small cigars (cigarette-size, not over 3 pounds per thousand) increased their sales last year. Following the peak distribution in early 1973 and withdrawal of TV ads, however, sales have dropped. For 1974, taxable removals may decline one-fourth from the 1973 total of 4.3 billion. Sales of small cigars may still cut into lower price large cigar sales. While small cigar volume is down from the peak last year, the level is still above 1971, before several new brands were introduced.

Smoking Tobacco Output Declining

Smoking tobacco production for pipes and roll-your-own cigarettes this year is expected to set another record low, falling below the 53 million pounds of last year (table 5). The long-term downward trend may continue next year.

Imports account for about one-sixth of U.S. smoking tobacco consumption. Last year, imports recorded the first drop in several years. Another drop may occur this year. Shipments come mostly from Sweden and the Netherlands.

In the first half of this year domestic use of smoking tobacco, including imports, totaled 30 million pounds, 2 percent below a year earlier. Declines were recorded in each category—pipe, sack, and cigarette cut tobacco. Wholesale prices averaged 4 percent above year-ago levels. The decline in smoking tobacco use is associated with gains in cigarette consumption since 1970.

Chewing Tobacco Output Rising

Chewing Tobacco production in 1974 may increase a little from the 74 million pounds of 1973 (table 6). For several years loose leaf and fine-cut tobaccos have been on the upswing while plug output has declined. Chewers apparently prefer the convenience of loose leaf and fine-cut tobacco.

Snuff production is estimated slightly below last year, and almost one-third below a decade ago.

Table 5.--Cigars and smoking tobacco: Output, removals, and consumption

Year and item	U.S. factories			From Puerto Rico:	Imports	Exports	Total U.S. consumption				
	Removals		Taxable								
	Output	Tax-exempt									
	<u>Millions</u>										
Large cigars and cigarillos											
1965	7,899	7,578	180	913	25	55	8,641				
1966	7,165	7,076	193	1,075	25	73	8,296				
1967	6,858	6,846	197	1,099	30	76	8,096				
1968	7,184	6,759	169	1,036	48	66	7,946				
1969	6,931	6,739	169	1,080	45	65	7,968				
1970	7,094	6,705	152	1,259	46	54	8,108				
1971	6,707	6,506	131	1,222	48	46	7,861				
1972	6,025	5,896	139	1,272	62	76	7,293				
1973	5,655	5,553	143	1,304	75	108	6,967				
1974 2/	5,150	5,000	150	1,250	70	110	6,360				
	<u>Year ending June 30 --</u>										
1965	8,445	7,912	176	850	25	45	8,918				
1966	7,517	7,332	210	1,034	25	70	8,531				
1967	6,883	6,864	183	1,072	26	74	8,071				
1968	7,234	6,868	192	1,114	38	77	8,135				
1969	6,868	6,633	156	987	46	62	7,760				
1970	7,108	6,755	165	1,186	47	58	8,095				
1971	6,956	6,718	139	1,237	47	55	8,086				
1972	6,353	6,217	145	1,274	53	65	7,624				
1973	5,842	5,725	137	1,287	69	79	7,139				
1974 3/	5,296	5,184	133	1,281	72	109	6,561				
	<u>Million pounds</u>										
Smoking tobacco 4/											
1965	71.8	67.3	3.0	---	2.1	1.0	71.4				
1966	67.3	65.3	1.5	---	3.3	.9	69.2				
1967	64.8	62.7	2.0	---	3.7	1.3	67.1				
1968	66.3	64.1	1.9	---	5.5	1.8	69.7				
1969	63.9	62.6	1.6	---	5.7	1.1	68.8				
1970	69.4	65.6	1.5	---	8.7	.9	74.6				
1971	60.5	61.3	1.4	---	8.4	1.2	69.9				
1972	55.9	55.1	1.3	---	11.9	1.1	67.2				
1973	53.0	51.7	1.5	---	8.2	1.3	60.1				
1974 2/	51.0	50.0	1.1	---	11.0	1.3	60.8				
	<u>Year ending June 30 --</u>										
1965	74.1	71.4	3.0	---	2.5	1.1	75.8				
1966	69.8	65.4	2.4	---	2.8	1.0	69.6				
1967	64.3	62.3	1.8	---	3.2	1.1	66.2				
1968	66.9	64.6	1.9	---	4.6	1.3	69.8				
1969	63.7	62.5	1.7	---	5.3	1.8	67.7				
1970	67.2	64.2	1.6	---	7.0	.9	71.9				
1971	67.0	64.8	1.5	---	8.7	1.1	73.9				
1972	57.6	57.6	1.3	---	10.6	1.4	68.1				
1973	52.1	52.9	1.4	---	9.8	1.2	62.7				
1974 3/	51.8	48.3	1.2	---	9.3	1.4	57.4				

1/ Total removals (or sales) from U.S. factories plus those from Puerto Rico, and imports, minus exports. 2/ Estimated. 3/ Subject to revision. 4/ After December 1965, taxable removals data replaced by domestic sales, and tax-exempt removals data replaced by export sales.

Compiled from reports of the Bureau of Alcohol, Tobacco, and Firearms and the Bureau of the Census, and AMS, USDA.

Table 6.--Chewing tobacco, snuff, and small cigars:
Output by category, 1963-74

Period	Chewing tobacco					Snuff	Small cigars 2/
	Plug	Twist	Fine-cut	Loose leaf	Total		
				1/			
	----- Million pounds -----					Millions	
1963	24.9	2.9	3.3	34.2	65.4	31.8	281.4
1964	25.9	2.8	3.5	34.0	66.2	31.4	973.9
1965	24.7	2.8	3.7	33.9	65.1	29.7	440.7
1966	24.3	2.7	3.9	34.3	65.2	29.5	445.3
1967	23.7	2.6	4.1	34.0	64.4	29.3	434.2
1968	22.9	2.6	4.3	35.7	65.4	27.1	523.4
1969	23.3	2.5	4.5	39.5	69.8	27.6	720.2
1970	22.0	2.4	4.8	39.5	68.7	26.5	933.4
1971	20.6	2.4	5.1	43.3	71.4	26.4	1,135.4
1972	19.6	2.2	5.2	45.6	72.6	25.5	4,022.4
1973	18.6	2.1	5.7	47.6	74.0	25.3	4,415.0
1974 3/	18.6	2.1	6.1	49.2	76.0	25.0	3,100.0
1964	25.9	2.8	3.4	34.2	66.3	31.9	913.2
1965	25.1	2.8	3.6	33.4	64.9	30.3	437.7
1966	24.5	2.9	3.8	34.2	65.4	30.0	474.7
1967	24.2	2.6	4.0	34.2	65.0	29.1	420.6
1968	23.2	2.6	4.2	34.7	64.7	28.6	462.1
1969	22.8	2.5	4.0	36.9	66.2	27.2	631.6
1970	23.0	2.4	4.9	40.1	70.4	26.3	870.8
1971	21.6	2.4	4.9	41.5	70.4	27.1	911.7
1972	19.9	2.3	5.2	45.5	73.0	26.0	1,655.1
1973	18.4	2.2	5.4	46.0	72.0	25.3	5,580.4
1974 4/	18.7	2.1	5.9	48.1	74.8	24.8	3,427.6

1/ Formerly scrap.

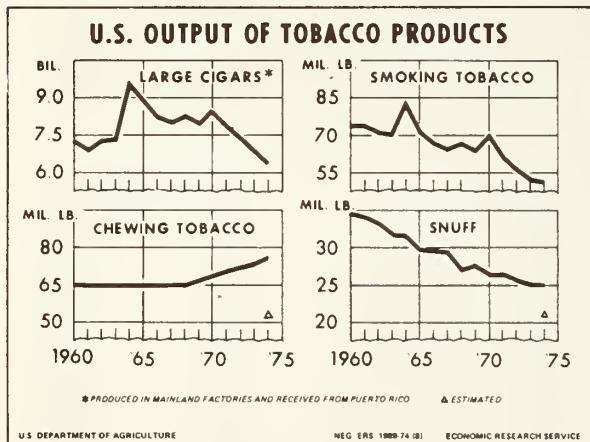
2/ Weigh not more than 3 pounds per thousand (about cigarette size).

3/ Estimated.

4/ Subject to revision.

Basic data compiled from reports of the Bureau of Alcohol, Tobacco, and Firearms and Agricultural Marketing Service, USDA.

Wholesale snuff prices at midyear were 9 percent above a year earlier levels. Virtually all U.S. output of snuff and chewing tobacco is consumed domestically.



Bulk Tobacco Exports Recover

Exports of smoking tobacco in bulk this year through July were substantially above a year ago and the calendar year total may gain one-fourth or more from the 26 million pounds in 1973. Switzerland,

the leading destination until last year, again took sizable quantities. Bulk exports consist primarily of specially prepared cigarette leaf and cut or shredded tobacco from U.S. and foreign-grown sources. Bulk tobacco goes mostly to foreign cigarette factories of American based companies or their foreign licensees.

U.S. Bulk smoking tobacco exports to leading destinations, 1973-74¹

Country	Calendar	January-July	
	year	1973	1974
	Million	Million	Million
	pounds	pounds	pounds
Italy	1.0	1.0	---
Dominican Republic	1.3	.8	1.0
Switzerland	2.1	.5	8.6
Netherlands	9.7	4.5	.9
Spain	1.8	1.0	.8
Peru .....	.9	.2	.1
Ecuador .....	.8	.5	1.1
Finland	2.1	.7	.3
Australia	1.1	.8	.9
Other countries	5.3	2.9	5.9
Total	25.9	12.9	20.6

¹ Subject to revision.

Compiled from publications and records of the Bureau of the Census.

U.S. EXPORTS AND IMPORTS

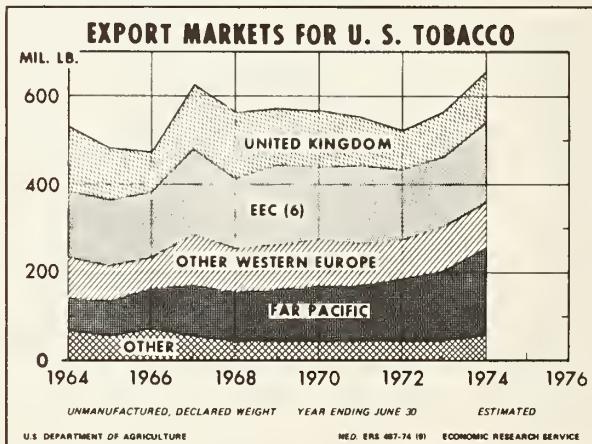
Calendar Year Leaf Exports May Set Record

U.S. exports of unmanufactured tobacco during January-July were 16 percent above last year to set a record for the period. Shipments in anticipation of a fall dock strike may have contributed to the high level. But greater demand abroad and the shortfall in overseas flue-cured production gave the biggest boost. In the second half of 1974 exports are expected to stay near last year's level. With the longshoremen's contracts settled, the dock strike did not materialize and a normal seasonal shipment pattern is expected. So leaf exports this calendar year are expected to rise from 1973's high of 613 million pounds (674 million, farm-sales weight) and also surpass 1946's record high of 663 million (731 million, farm-sales weight).

Few overseas manufacturers increased their stocks of U.S. tobacco last year. However, the continued shift in the United Kingdom and other European markets away from U.S. tobacco is holding down the demand for U.S. exports. In contrast to the larger U.S. crop, uncommitted loan stocks are sharply lower. For next calendar year, U.S. exports may continue near 1974's high level.

For January-July 1974, a gain in exports of flue-cured—the principal export class—accounted for six-tenths of the increase in U.S. tobacco exports. Burley

shipments also recorded a sizable gain. Among the countries taking more tobacco were West Germany, Japan, Italy, Netherlands, Taiwan, Australia, and Thailand. (table 7).



Fiscal Year Record Set

A surge in tobacco exports that began in mid-1973 pulled the total for the year ending June 30, 1974, up 15 percent to 657 million pounds (730 million, farm-sales weight). Higher prices helped raise value 25 percent to \$770 million, a record fiscal year total. Flue-cured and burley tobacco largely accounted for the gain. Virtually all destinations took more. Along

Table 7.--United States exports of unmanufactured tobacco by types and to principal importing countries for specified periods

Country and type	(Declared weight)						Percent	
	Year ending June 30 --			January-July				
	Average :	1973	1974	1973	1974	1974 as a		
	1967-71	1/	1/	1/	1/	percentage		
:								
Flue-cured								
Burley	45.8	44.4	52.4	67.7	34.9	44.7	128	
Maryland	12.2	11.2	9.7	8.6	4.8	5.0	104	
Fire- and sun-cured	25.1	25.7	22.3	24.2	10.3	15.7	152	
Green River	.5	.3	.3	.2	.1	.2	200	
One Sucker	.8	.3	.3	.4	.3	.5	167	
Black Fat, etc.	2.7	2.9	3.1	2.7	1.8	1.4	78	
Cigar wrapper	3.0	3.1	2.9	2.1	1.5	1.5	100	
Cigar binder	1.1	.1	.1	.1	.1	.1	100	
Cigar filler	.8	.4	.3	.6	.2	.5	250	
Perique	.2	.2	.2	.2	.1	.1	100	
Stems, trimmings, and scrap	54.5	68.9	85.3	101.6	46.6	51.1	110	
:								
Total	577.7	524.2	569.1	657.4	308.5	358.6	116	
:								
Country of destination								
United Kingdom	132.6	85.5	109.2	116.5	38.4	34.3	89	
France	7.9	11.8	5.6	6.4	4.2	4.5	107	
Belgium	18.0	10.4	18.2	13.9	11.5	9.6	83	
Netherlands	35.3	24.5	24.2	35.2	14.8	19.5	132	
West Germany	104.0	93.3	91.4	103.1	53.9	62.3	116	
Denmark	19.0	19.5	21.7	24.3	15.3	2/1.7	11	
Ireland	13.6	9.9	10.7	8.5	4.5	4.6	102	
Switzerland	23.4	20.2	27.4	26.4	17.0	13.5	79	
Finland	5.6	5.5	5.4	5.5	3.2	3.0	94	
Norway	8.4	5.1	6.4	6.6	1.7	3.1	182	
Sweden	17.6	17.7	16.6	15.6	5.7	4.8	84	
Italy	10.5	24.0	18.9	25.3	20.7	22.2	107	
Spain	4.7	4.6	3.8	6.4	4.3	5.8	135	
Thailand	22.4	21.7	23.0	26.8	8.6	20.6	240	
S. Vietnam	12.9	18.8	19.1	13.2	12.0	10.5	88	
Malaysia	10.4	9.8	9.1	13.5	6.3	8.9	141	
Philippine Republic	7.4	7.9	6.5	13.9	4.0	8.6	215	
Taiwan	8.8	13.4	14.0	20.8	13.1	23.7	181	
Japan	42.8	62.5	73.3	88.7	32.2	41.9	130	
Australia	16.0	11.3	13.4	19.6	5.9	9.7	164	
New Zealand	4.5	3.8	5.0	5.9	3.0	3.6	120	
Egypt	2.0	1.0	1.1	2.1	1.5	.6	40	
Other countries	49.9	41.8	45.1	59.0	26.9	41.7	155	
:								
Total	577.7	524.2	569.1	657.4	308.5	358.6	116	
:								

1/ Preliminary.

2/ Shipments of 1973/74 purchases were bunched at the end of calendar year 1973. Detail may not add to total due to rounding.

Compiled from publications and records of the Bureau of the Census.

with manufactured tobacco product exports for fiscal 1974 worth \$329 million, total value of tobacco and tobacco products exports reached a record \$1.1 billion, 26 percent above the previous fiscal year.

Exports to Western Europe increased as takings by the EC gained. Smaller program shipments dropped the South Vietnam total, but other Asian destinations showed above average gains in takings. Japan continues to use more U.S. tobacco to supply its booming cigarette industry. Many countries turned to U.S. tobacco when anticipated surpluses failed to develop in other exporting countries.

Barter sales last fiscal year were off substantially from the previous year's record high. Export credit sales also declined further. These programs were suspended beginning last fiscal year, so only contracts existing in June 1973 were financed (table 8).

U.S. tobacco exports under government-financed programs (Public Law 480) in 1973/74 totaled 24 million pounds, 2 million below the previous year. South Vietnam continues as the leading program destination. With the signing of a Title I dollar credit agreement in June, sizable trade with Egypt has resumed. Egypt took 16-18 million pounds annually until the Middle East war in 1967.

Tobacco: Government program exports to leading destinations, fiscal years 1973-74¹

Country	1972-73	1973-74 ¹
	<i>Million pounds</i>	<i>Million pounds</i>
Foreign currency sales		
South Vietnam	18.6	13.5
Cambodia	1.3	1.7
Thailand	2.4	7.0
Philippines	2.3	1.5
Dollar credit		
Ecuador .....	.5	---
Israel .....	.3	.4
Barter		
United Kingdom	45.9	2.8
Japan	25.4	0
West Germany	16.7	9.7
Taiwan	14.1	2.4
Denmark	14.8	12.1
Finland	5.4	1.5
Malaysia	4.1	1.0
Ireland	6.4	2.1
Norway	5.8	4.9
Spain	4.4	1.1
CCC credit sales		
Ireland	3.5	0
Netherlands .....	.9	1.1
United Kingdom	18.3	0
Poland	1.5	0
Philippines	3.2	.1
Zaire	2.6	2.4

¹ Subject to revision.

Export Prospects

The current world demand and price situation indicates that the United States may experience a continued favorable level of tobacco exports in fiscal 1975. World supplies of better quality tobacco are short and the United States' current crop remains the major source. U.S. loan stocks are no longer a significant level. But while U.S. prices are rising, the rate of gain is below that for most competing suppliers. There is no U.S. export payment program any more; it was ended last year. The economic sanctions against Rhodesia have increased the demand for U.S. tobacco exports above what it otherwise would be.

Beyond this year, the likelihood of a further rise in U.S. prices, prospects of larger crops from lower cost overseas competitors, and further application of the trade-restricting features of the enlarged European Community may limit U.S. exports. It is too early to tell if tobacco substitutes can extend supplies of the natural product.

World cigarette consumption continues to increase about 4 percent annually. But technological changes in manufacturing, the trends toward filter cigarettes—capturing 79 percent in Western Europe and Japan by 1972—and mini-cigarettes, (shorter length and smaller diameters than regular size) mean that leaf shipments do not increase proportionally with cigarette consumption.

Last fiscal year the enlarged EC (9 countries) took one-half of U.S. tobacco exports. The EC's Common Agricultural Policy (CAP) for tobacco is in its fifth year of operation. Italy is the biggest EC tobacco producer, and rising prices have brought Italian burley output 65 percent above the 1965-69 average. Under CAP provisions, the buyer's premiums provide a strong incentive for use of EC tobacco. Also, export subsidies are available for surplus burley and oriental tobacco.

Tobacco Imports Rising

U.S. manufactured tobacco imports for consumption during January-July 1974 were 177 million pounds, 25 million above a year earlier (table 9). Most of the gain was in scrap and cigarette leaf. For 1974, imports of unmanufactured tobacco probably will gain from last year's record of 269 million pounds.

The United States, the world's largest producer and exporter of tobacco, is the third largest importer (after the United Kingdom and West Germany). U.S. cigar and cigarette manufacturers use imported tobacco in their blends. Last year, U.S. cigarettes contained about 16 percent imported tobacco and cigars had about 66 percent.

U.S. cigarette leaf tobacco imports in 1973/74 were valued at 59½ cents per pound, exclusive of ocean freight and duties. On most cigarette leaf imports

Table 8.--Exports of unmanufactured tobacco under Government-financed programs and commercial sales, average 1955-59, annual 1960-74, fiscal years

Year ending June 30	Government-financed exports					Commercial exports					Total unmanu- factured tobacco exports	
	Title I, P.L. 480		Mutual Security and A.I.D.			Barter		Dollar sales				
	Foreign currency sales	Long-term dollar credit sales	Total	1/	Total	CCC	short term	Other	Total			
Quantity (export weight)												
<u>Million pounds</u>												
Average: 1955-59	42.4	---	6.4	48.8	0.4	---	447.9	448.3	497.1			
1960	41.9	---	23.2	65.1	29.4	---	362.1	391.5	456.6			
1961	40.2	---	20.0	60.2	40.4	---	403.6	444.0	504.2			
1962	26.1	---	2.8	28.9	77.4	---	413.7	491.1	520.0			
1963	28.7	1.2	---	29.9	18.1	---	425.3	443.4	473.3			
1964	35.5	3.8	.6	39.9	15.4	1.0	475.8	492.2	532.1			
1965	21.2	4.5	5.1	30.8	18.8	.3	434.1	453.2	484.0			
1966	43.2	1.3	5.8	50.3	76.9	---	345.0	421.9	472.2			
1967	21.1	5.5	3.0	29.6	106.3	17.9	472.8	597.0	626.6			
1968	22.9	10.9	.6	34.4	82.0	16.6	431.7	530.3	564.7			
1969	19.9	16.9	.1	36.9	90.5	12.4	431.7	534.6	571.5			
1970	10.6	11.1	---	21.7	132.0	48.1	369.2	549.3	571.0			
1971	19.6	2.9	---	22.5	149.0	70.9	312.3	532.2	554.7			
1972	21.0	2.0	---	23.0	176.8	40.6	283.8	501.2	524.2			
1973	24.8	1.2	---	26.0	170.0	31.5	341.6	543.1	569.1			
1974 2/	23.8	.4	---	24.2	51.2	3.6	578.4	633.2	657.4			
Value												
<u>Million dollars</u>												
Average: 1955-59	30.4	---	3.3	33.7	.3	---	309.8	310.1	343.8			
1960	30.8	---	18.4	49.2	19.6	---	273.1	292.7	341.9			
1961	29.4	---	16.5	45.9	25.1	---	314.2	339.3	385.2			
1962	19.6	---	1.8	21.4	46.3	---	339.8	386.1	407.5			
1963	22.5	1.6	---	24.1	12.4	---	341.9	354.3	378.4			
1964	23.8	2.9	.8	27.5	8.5	0.7	384.0	393.2	420.7			
1965	14.9	4.6	2.8	22.3	13.1	.2	359.7	373.0	395.3			
1966	29.9	.7	4.4	35.2	54.9	---	304.6	359.5	394.7			
1967	15.6	4.0	2.4	22.0	84.6	15.9	427.2	527.7	549.7			
1968	21.4	8.7	.6	30.7	75.3	14.1	373.6	463.0	493.7			
1969	16.8	15.3	.1	32.2	91.5	11.7	371.5	474.7	506.9			
1970	11.2	9.9	---	21.1	140.0	47.7	330.8	518.5	539.6			
1971	19.1	2.7	---	21.8	162.0	76.6	276.6	515.2	537.0			
1972	21.0	2.3	---	23.3	200.7	41.9	265.5	508.1	531.4			
1973	27.3	1.3	---	28.6	205.0	34.3	346.0	585.3	613.9			
1974 2/	29.3	.4	---	29.7	62.0	3.3	674.8	740.1	769.8			

1/ Government-financed for strategic materials, 1958-62.

2/ Preliminary.

Table 9.--U.S. imports of unmanufactured tobacco for consumption and general, principal categories, and countries of origin, fiscal year, and January-July 1973-74 1/

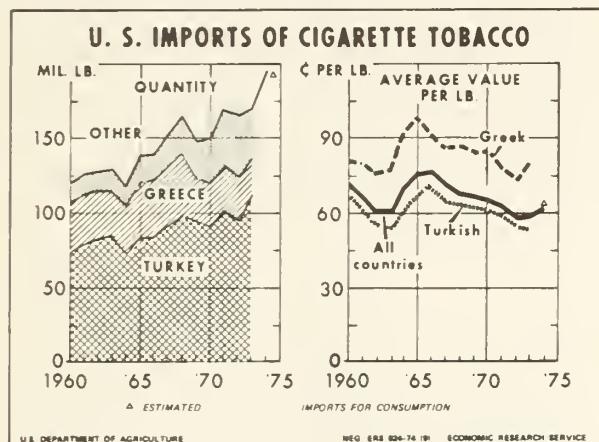
Classification and country of origin	(Declared weight)													
	Imports for consumption				General imports (arrivals)									
	Year, July-June: 1974	January-July 1/ 1973	Year, July-June: 1974	January-July 1/ 1974 as a percentage of 1973	Year, July-June: 1974	1973	1974	January-July 1/ 1974 as a percentage of 1973						
			Million pounds		Percent		Million pounds							
							Percent							
<u>Cigarette tobacco:</u>														
Leaf, unstemmed														
Oriental														
Turkey	114.6	63.2	68.0	108	111.5	75.8	66.6	88						
Greece	25.1	14.5	15.1	104	12.2	13.0	14.2	109						
Yugoslavia	16.9	8.6	10.3	120	7.6	13.4	10.0	75						
Lebanon	9.6	5.3	6.0	113	7.7	11.4	6.9	61						
Other countries	2.8	2.2	1.6	73	18.5	12.9	13.5	105						
Flue-cured and burley	12.3	2.8	10.3	368	40.9	26.4	30.3	115						
Subtotal	181.3	96.5	111.3	115	198.4	152.9	141.5	93						
Scrap														
Turkey	6.9	4.0	3.4	85	4.9	6.1	6.6	108						
Other countries 2/	5.0	3.3	2.7	82	11.1	3.9	11.2	287						
Total cigarette tobacco	193.2	103.9	117.4	113	214.4	162.9	159.3	98						
<u>Cigar tobacco:</u>														
Wrapper	1.3	.7	.8	114	2.6	1.0	1.3	130						
Filler-stemmed and unstemmed														
Dominican Republic	2.1	1.3	1.3	100	13.0	6.4	7.7	120						
Other countries	9.4	5.1	5.3	104	30.2	27.2	17.6	65						
Subtotal	11.5	6.4	6.6	103	43.2	33.6	25.3	75						
Scrap														
Philippine Republic	26.3	8.9	21.8	245	18.0	7.7	11.0	143						
Colombia	4.3	4.5	1.9	42	2.4	2.8	1.7	61						
Dominican Republic	7.3	4.5	3.7	82	1.8	2.0	1.4	70						
Brazil	7.6	7.2	4.0	56	4.1	4.1	1.9	46						
Other countries	32.2	9.6	18.2	190	31.8	11.5	15.3	133						
Subtotal	77.7	34.6	49.6	143	58.1	28.1	31.3	111						
Total cigar tobacco	90.5	41.7	57.0	137	103.9	62.7	57.9	92						
Stems	6.0	5.7	2.1	37	4.7	3.8	2.1	55						
Grand total	289.7	151.2	176.5	117	323.1	229.3	219.4	96						

1/ Preliminary.

2/ Canada, Greece, Cyprus, Lebanon, India, Korea.
Detail may not add to total due to rounding.

Compiled from publications and records of the Bureau of the Census.

manufacturers must pay a duty of 11½ cents per pound, yet imports still offer domestic manufacturers considerable price advantage. Duty-free quotas on some Philippine entries ended at mid-year, so all scrap tobacco is dutiable at 16.1 cents per pound.



January-July 1974 arrivals of tobacco (general imports) were 4 percent lower than a year earlier because cigarette manufacturers had to delay their usual purchases of oriental leaf. Stocks of foreign-grown cigarette and smoking tobacco in the United States rose further in the second quarter of 1974. On July 1, 1974, these stocks totaled 497 million pounds (farm-sales weight). This was 9 percent above the previous July 1 and a record high for that date. Oriental tobacco stocks have remained fairly stable in recent years but foreign-grown and flue-cured and burley stocks have risen sharply as arrivals have outpaced utilization.

U.S. manufactured tobacco imports for consumption increased one-sixth in the year ended June 30, 1974. Average value per pound also increased (table 10). The gain in imports was in cigarette leaf and scrap tobacco. Turkey and Greece remained the largest suppliers. The Philippines remained the largest source of scrap tobacco during 1973/74.

TOBACCO LEAF SITUATION AND OUTLOOK¹

This past marketing year about two-thirds of U.S. tobacco was used in the United States and exports took one-third. With further recovery in use of U.S. leaf last season, the total picked up to par with the 2.0-2.1 billion pound level that prevailed through the 1960's. Excess stocks that built up in the early 1960's have been worked off. With increased quotas and allotments, this year's U.S. production of all tobacco is forecast the largest since 1964.

In the United States as well as overseas, most tobacco is used in cigarettes. With tobacco the most costly input, U.S. manufacturers have adopted measures to economize on leaf and leaf cost per cigarette.

Smokers in many countries prefer the taste, flavor, and aroma of U.S. tobacco but manufacturing techniques and filters have substantially reduced the sales appeal of these advantages. As labor and other production costs accelerate, U.S. tobacco faces stiff competition. Pressure on consumer incomes from rising food and energy prices could begin to limit world demand for tobacco products. Also, tariff and non-tariff barriers of many governments hinder U.S. tobacco exports. While overseas leaf production lags behind the growing demand, utilization of U.S. leaf in the years ahead can hold at the past season's level.

Marketing Quotas and Allotments

By December 1, USDA will announce the 1975 flue-cured marketing quota on an acreage-poundage

All tobacco: Acreage, yield and production, United States, 1960-74

Year	Acreage harvested	Yield per acre	Production
	Thousand	Pounds	Million pounds
Average:			
1960-64	1,159	1,880	2,178
1965-69	942	1,958	1,845
1970	899	2,121	1,908
1971	838	2,035	1,705
1972	842	2,076	1,749
1973	887	1,965	1,743
1974 ¹	966	2,081	2,011

¹ Indicated September 1, 1974.

basis, the national average yield goal, and the matching national acreage allotment. Flue-cured growers approved acreage-poundage quotas for their 1974-76 crops in a 1973 referendum. Individual farm quotas and matching acreage allotments for next year's flue-cured crop will reflect this year's overmarketings and undermarketings. This year's flue-cured crop is falling short of the effective quota, so next year's effective quota will exceed the basic quota (table 11).

By next February 1, USDA will announce the 1975 poundage quota for burley and acreage allotments for other kinds of tobacco under quota. Shortly after the announcement, growers of cigar binder and Ohio filler types will vote in referendums on whether they favor continuing acreage allotments on their next 3 crops. If at least two-thirds of the farmers voting

¹ All quantities in this section are stated in farm-sales weight equivalent unless otherwise noted.

Table 10.--U.S. imports of unmanufactured tobacco: Quantity and average value, by kinds, 1973/74

Kind	Quantity		Value per pound	
	1973/74	Change from 1972/73	1973/74	Change from 1972/73
	- - - Million pounds - - -		- - - Cents - - -	
Imports for consumption				
Cigarette				
Leaf	181.3	+17.1	60.8	+1.7
Scrap (oriental) <u>1/</u>	11.9	-1.1	19.6	+9.5
Cigar				
Leaf	12.8	+1.6	121.1	+8.9
Scrap	77.8	+21.9	55.9	+17.4
Total <u>2/</u>	289.7	+39.4	59.5	+3.7
General imports				
Cigarette				
Oriental leaf	157.5	-11.5	77.8	+19.4
Flue-cured and burley leaf	40.9	-1.8	49.6	+14.8
Scrap (oriental) <u>1/</u>	16.0	+1.5	48.2	+31.3
Cigar				
Wrapper	1.8	.5	353.5	-36.2
Filler	44.0	-6.4	51.7	+2.2
Scrap	58.1	+18.1	57.6	+9.9
Total <u>2/</u>	323.1	+1.1	67.3	+16.9

1/ Turkey, Canada, Greece, Cyprus, Lebanon, India, and Korea. 2/ Includes stems.
Compiled from publications and records of the Bureau of the Census.

Table 11.--U.S. tobacco allotments, by kinds of tobacco, 1974

Kinds	Allotments	Acreage	Poundage	Average size
		allotted	allotted	of allotment
		Number	Acres	Million pounds
				Acres
Flue-cured (11-14) <u>1/</u>	191,553	2/669,514	1,297	3/6,771
Burley (31) <u>4/</u>	294,687	---	608	3/2,063
Va. fire-cured (21)	5,496	10,471	---	1.91
Ky.-Tenn. fire-cured (22-23)	15,179	29,397	---	1.94
Dark air-cured (35-36)	20,234	10,989	---	.54
Va. sun-cured (37)	958	1,633	---	1.70
Cigar binder (51-52)	595	2/5,644	---	9.49
Cigar filler and binder (42-44, 53-55)	5,680	17,918	---	3.15
Total	534,382	745,566	1,905	---

1/ Acreage poundage with national average yield goal of 1,854 pounds per acre. 2/ Acreage allotments terminated. 3/ Pounds. 4/ Poundage quota.

Compiled from records of the Tobacco and Peanut Division, ASCS, USDA.

approve, the marketing quotas remain in effect. Producers of burley, fire-cured, and dark air-cured approved marketing quotas applicable to the 1975 crop in previous referendums.

Maryland and Pennsylvania tobacco growers turned down marketing quotas in the last referendum (1974) so government price support is not available for their 1974-76 crops. Pennsylvania filler has never had marketing quotas. For Maryland, quotas last applied to the 1965 crop. In Puerto Rico the Commonwealth Government for many years has set filler tobacco quotas. Shade-grown wrapper (types 61-62) grown in Connecticut, Massachusetts, Georgia, and Florida is not covered by marketing quota legislation.

Beginning with the 1975 crop, producers who grow nonquota tobacco in quota areas will be subject to the prevailing quota when the nonquota tobacco has any characteristics of the quota tobacco. In 1972, about 0.5 million pounds of Maryland tobacco were grown in quota areas and 3.5 million pounds in 1973, mostly in the burley belt. This production gave impetus to the new legislation, approved September 3 (Public Law 93-411).

Price Support Levels

For eligible 1975 tobacco crops, the overall price support seems likely to rise about one-tenth above the 1974 levels—some 65 percent above the 1959 base. This estimate is based on changes in the parity index. As required by law, the price support adjustment for 1975 will be based on the average of the parity index in 1972, 1973, and 1974 compared with 1959. For 1974, price supports increased 8.7 percent (table 12).

FLUE-CURED

Record Auction Prices

Every flue-cured crop is in some sense unique, and what distinguishes this season from its predecessors is the smoother marketing. At auction markets this season through September 12 flue-cured tobacco (types 11-14) averaged \$1.01 per pound, 14 cents above the comparable period last season (table 14). Virtually all grade averages were higher than last season. Quality improved in most areas. About 54 percent of the crop had been sold by September 12 compared with 46 percent a year earlier.

The 1974 marketing season got underway on July 15, with sales in the Georgia-Florida (type 14) and South Carolina-North Carolina border (type 13) markets and a week later in Eastern North Carolina (type 12) and Old and Middle Belts (type 11). Markets opened the earliest on record, 2 weeks ahead of last year. Early sales, consisting largely of primings and nondescript tobacco were of lower quality than last year and returned growers little more than last year's price level. This situation was disappointing to

Table 12.—Tobacco: Commodity Credit Corporation price support loan and program operations, 1972-74

Item	Year ending June 30—		
	1972	1973	1974
	Million dollars	Million dollars	Million dollars
Loan operations			
New loans made	59.5	51.4	37.6
Repayments	272.3	241.8	269.1
Loans cancelled ¹	0	0	0
Charged off .....	.3	.1	(²)
Net additions (deductions) ...	(212.8)	(190.4)	(231.5)
Loans outstanding:			
Value	671.5	481.1	249.6
Quantity (mil. lbs.)	870	636	393
Program operations			
Export payments	26.7	27.8	13.7
Public Law 480 sales:			
Foreign currency	18.9	0	0
Dollar credit	5.4	29.6	30.9
Short term credit sales	41.9	34.3	3.3
Recovery of costs ³	59.3	26.0	25.0
Total costs ⁴	93.2	65.8	22.9

¹ Barter of commodities and services. ² Less than \$50,000. ³ Estimated. ⁴ Includes loan operations charged off. Data for 1950-71 in *Tobacco Situation*, TS-141, Sept. 1972, p. 37.

Compiled from Commodity Credit Corporation, *Report of Financial Conditions and Operations*, various issues.

growers who placed 13 percent of opening week's sales under loan. Legislation to increase support level by 10 percent was forestalled when better grades of leaf came to market, and prices rose smartly.

To receive price support, growers designated one or more warehouses for the sale of their 1974 crop and the USDA Flue-cured Tobacco Advisory Committee recommended opening dates and selling schedules to USDA. A buyer rotation plan was in effect as selling time was allocated according to grower designations. This year selling times in type 14 and type 13 markets were further held down and interbelt sales were at a minimum. Processing plant tieups have been avoided despite the heavier rate of sales, about 85 million pounds weekly compared with 75 million pounds last season.

Loan Receipts Again Very Low

The price support level for the 1974 flue-cured crop averages 83.3 cents per pound, 8.7 percent above 1973. With the crop below probable disappearance, loan receipts through September 12 were only 20 million pounds—about 3 percent of marketings. In the comparable period of the 1973 season, 0.6 percent went under loan.

To receive price support this season, flue-cured growers must certify they did not use DDT or TDE pesticides and designate one or more warehouses for

Table 13.--United States exports of unmanufactured tobacco by types, to principal importing countries, crop years, 1971/72-1973/74 1/

(Declared weight)																
Importing countries	1971-1972	1972-1973	1973-1974	Importing countries	1971-1972	1972-1973	1973-1974									
								2/	2/							
<u>Million pounds</u>																
<u>Flue-cured, types 11-14</u>																
United Kingdom	67.9	84.8	91.1	Sweden				449	307							
West Germany	73.2	69.9	75.8	Norway				1,683	1,893							
Japan	45.0	52.4	61.7	West Germany				355	237							
Netherlands	12.8	11.8	17.0	Other countries				509	1,043							
Thailand	19.8	18.7	23.7	Total				2,996	3,480							
Australia	9.8	10.0	14.2						5,279							
Italy	13.8	8.3	13.5													
Sweden	8.0	6.7	8.1													
Norway	3.0	3.2	4.3													
Finland	3.2	3.4	2.9	Bahamas				77	54							
Denmark	13.4	13.9	13.8	Cameroon				0	44							
Ireland	7.7	7.7	6.8	Zaire (Congo, Kinshasa)				120	134							
Belgium	7.9	13.5	10.7	Other countries				20	3/150							
Switzerland	6.0	10.1	10.7	Total					3/237							
S. Vietnam	13.8	14.5	10.2					217	382							
Philippine Republic	4.2	3.9	6.6						469							
Spain	4.2	3.6	5.7													
Malaysia	7.8	7.0	11.0													
Taiwan	13.3	13.9	20.7	United Kingdom				80	117							
New Zealand	2.8	3.8	4.3	Belgium				69	46							
Other countries	29.1	31.1	36.1	Zaire (Congo, Kinshasa)				40	44							
Total	366.7	392.2	448.9	Other countries				39	4							
				Total				228	211							
									182							
<u>Burley, type 31</u>																
Italy	9.2	8.8	10.4													
Sweden	2.0	2.6	2.1	France				280	233							
Denmark	2.2	3.8	1.3	New Zealand				55	30							
Netherlands	.6	2.6	2.6	Other countries				1	16							
Japan	3.3	4.2	6.3	Total				336	279							
West Germany	10.1	17.2	9.1						592							
Switzerland	1.9	4.6	3.5													
Finland	1.0	1.2	.9													
Thailand	3.8	1.6	2.9													
Philippine Republic	3.6	2.6	6.2	West Germany												
Other countries	5.6	8.6	12.3	Canada												
Total	43.3	57.8	57.6	Canary Islands												
				Other countries												
				Total												
								85	92							
									87							
<u>Maryland, type 32</u>																
Belgium	1.0	1.7	.6													
West Germany	1.8	2.3	1.7													
Switzerland	4.2	6.3	3.8	Canary Islands				0	4							
Other countries	.7	1.3	.9	Other countries				1	1							
Total	7.7	11.6	6.9	Total				1	5							
									2							
<u>Ky.-Tenn. fire-cured, types 22-23</u>																
Sweden	.6	.5	.3	Canada				323	272							
Netherlands	6.0	10.8	10.6	United Kingdom				1,195	1,155							
Belgium	.4	.8	.7	West Germany				648	598							
France	3.5	2.1	1.7	Netherlands				47	136							
Switzerland	.9	.7	1.6	Canary Islands				115	183							
Other countries	4.2	4.1	2.7	Other countries				775	550							
Total	15.8	18.9	17.6	Total				3,103	2,894							
									2,127							
<u>Stems, Trimmings, and Scrap</u>																
Sweden	5.6	6.5	4.4	Cameroon				550	390							
Denmark	3.2	5.4	7.1	Bahamas				40	46							
United Kingdom	15.8	22.5	23.6	Togo				499	405							
West Germany	6.0	5.0	8.9	Nigeria				253	211							
Japan	14.2	16.6	20.7	West Africa, n.e.c.				1,437	2,005							
Other countries	24.2	29.3	36.8	Other countries				76	85							
Total	68.9	85.3	101.6	Total				2,855	3,142							
									2,113							
<u>Black Fat</u>																

1/ July-June crop year for flue-cured, cigar wrapper, stems, trimmings, and scrap; October-September for all other types except October-July for 1973/74. 2/ Subject to revision. 3/ Includes Belgium 112,000 pounds and 218,000 respectively. * Less than 50,000 pounds. Detail may not add to total due to rounding.

Compiled from publications and records of the Bureau of the Census.

Table 14.--Flue-cured tobacco auction markets: Gross sales, average price, sales dates, through Sept. 13, 1973, and Sept. 12, 1974.

Type and State	Gross sales		Average price		Sales period	
	1973		1974			
	Million pounds	Cents	Million pounds	Cents		
14, Ga.-Fla.	153.5	175.0	87.7	102.3	July 15 (July 24) (Sept. 6)	
13, S.C. Border N.C.	229.6	188.9	86.5	100.3	July 15 (July 24) (Nov. 1)	
12, Eastern N.C.	115.3	222.0	87.4	100.8	July 22 (July 31) (Dec. 3)	
11b, Middle Belt, N.C., Va.	15.0	1/	86.6	1/	---	
11a, Old Belt, N.C., Va.	26.8	1/142.5	83.9	1/99.9	July 22 (Sept. 4) (Nov. 20)	
All Belts 1/	540.1	728.4	86.9	100.8	July 15 (July 24) (Dec. 5)	

1/ Sales not reported separately for Old and Middle Belts.

2/ Computed from unrounded data.

selling their crop within 100 miles of their county seat town. Under acreage-poundage legislation, growers receive price support on marketings up to 110 percent of their farm poundage quota. Marketings above a farm's poundage quota are deducted from the following year's quota. For marketings above 110 percent of the farm quotas, growers must pay a penalty of 66 cents per pound (75 percent of the average market price for the preceding year). Acreage allotments no longer apply as a condition for price support eligibility.

Growers who undermarket their quotas in 1974 will have their 1975 quotas increased accordingly. For flue-cured this year, there will be more undermarketings than overmarketings, as has been the case in 7 of the previous 9 years (table 15).

U.S. flue-cured tobacco exports: Percentage stemmed form of total

(unstemmed equivalent basis)

Year ending June 30	Destination		
	United Kingdom	Other countries	All countries
	Percent	Percent	Percent
1962	17.3	6.3	10.1
1964	46.8	10.6	22.6
1966	89.3	12.6	33.0
1968	94.9	21.0	45.0
1970	95.2	42.5	58.2
1972	95.3	55.3	63.4
1974	99.1	61.7	69.9

Table 15.—Flue-cured and burley tobacco: Marketing quota and marketings, 1965-74

Year	Quota		Marketings				Net Carryover ²
	Basic	Effective	Actual	Over- quota	Under- quota	Effective under quota ¹	
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	
Flue-cured, types 11-14							
1965	1,126.0	1,124.4	1,055.5	27.1	96.0	96.0	68.8
1966	1,126.0	1,199.0	1,107.9	35.0	126.1	126.1	91.1
1967	1,126.0	1,202.4	1,247.5	77.9	32.8	30.8	-47.1
1968	1,126.5	1,067.9	996.3	26.5	98.1	96.6	70.0
1969	1,127.1	1,187.0	1,052.1	26.6	161.5	157.9	131.3
1970	1,071.0	1,190.8	1,178.2	65.1	77.6	71.2	6.1
1971	1,071.4	1,069.9	1,076.3	60.4	53.9	49.9	-10.5
1972	1,071.2	1,056.7	1,022.1	41.2	75.8	72.9	31.7
1973	1,178.4	1,205.6	1,158.5	54.8	102.0	98.5	43.7
1974	1,297.0	1,337.1					
Burley, type 31							
1971	555.1	552.9	471.5	9.7	91.2	91.1	81.4
1972	531.5	612.9	588.6	30.7	53.7	45.7	15.0
1973	559.7	573.6	461.4	11.1	⁴ 113.1	⁴ 113.1	101.8
1974 ⁴	604.6	706.8					

¹ Under quota marketing less ineligible carryover. ² Effective under quota marketings less over quota marketings. ³ Subject to revision. ⁴ Preliminary.

Disappearance Gains

During the year ended last June 30, disappearance of flue-cured tobacco was a record 1,301 million pounds, 10 percent above the previous year (table 16). Exports jumped sharply—15 percent—while domestic use gained 5 percent. Last year domestic use edged above the average for the 1963-72 crops years, with total disappearance 8 percent above the 10-year average.

The 6 percent rise in domestic disappearance was in the context of a 5 percent rise in cigarette output and a sharp recovery in bulk tobacco exports (flue-cured is a major ingredient). Evidently the flue-cured leaf use per cigarette again fell. During the 1950's and 1960's use of flue-cured tobacco per cigarette declined about 3 percent annually. Domestic disappearance during 1974/75 is likely to increase slightly due to the uptrend in cigarette output.

Flue-cured exports surged to a record level last season as competing foreign tobaccos were in short supply and more costly. Trade with Rhodesia (formerly the largest exporter of flue-cured tobacco after the United States) remains dampened due to U.N. sanctions and production limits within Rhodesia.

Among leading destinations, the United Kingdom, West Germany, Italy, Thailand, Taiwan, Australia, and Japan purchased more last season. For the 1974 season, Japan's purchases are expected to continue the upward trend of recent years, and West German manufacturers may maintain their purchases of U.S. tobacco. However, U.K. purchases may decline as

Table 16.—Flue-cured tobacco, types 11-14, and burley tobacco, type 31: Acreage, yield production, carryover, supply, disappearance, season average price, and price support operations, 1963-74

(Farm-sales weight)

Marketing year	Acreage harvested	Yield per acre	Production	Beginning stocks ¹			Total supply
				Manufacturers and other	Under loan	Total	
	Thousand acres	Pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
Flue-cured, types 11-14							
1963	694.5	1,975	1,371.5	1,785.3	496.3	2,281.6	3,653.1
1964	627.6	2,211	1,387.8	1,689.5	696.9	2,386.4	3,774.2
1965	562.3	1,883	1,059.0	1,636.9	918.5	2,555.4	3,614.4
1966	607.0	1,825	1,107.9	1,602.5	836.4	2,438.9	3,546.8
1967	610.3	2,070	1,250.0	1,587.1	685.4	2,272.5	3,522.5
1968	533.0	1,841	1,995.6	1,528.1	773.4	2,301.5	3,297.1
1969	576.8	1,825	1,052.8	1,299.6	800.5	2,100.1	3,152.9
1970	584.1	2,042	1,178.1	1,227.5	744.9	1,972.4	3,150.5
1971	525.8	2,050	1,076.3	1,214.5	761.9	1,976.4	3,052.7
1972	513.6	1,971	1,022.1	1,292.4	617.8	1,910.2	2,932.3
1973	575.1	2,011	1,159.0	1,347.0	402.3	1,749.3	2,908.3
1974 ³	623.6	2,083	1,298.8	1,330.6	276.7	1,607.3	2,906.1
Burley, type 31							
1963	338.5	2,231	755.1	1,133.5	94.4	1,227.9	1,983.0
1964	306.6	2,022	619.8	1,146.8	265.4	1,412.2	2,032.0
1965	277.1	2,116	586.3	1,099.3	316.4	1,415.7	2,002.0
1966	240.7	2,437	586.7	1,133.4	261.9	1,395.3	1,982.0
1967	237.7	2,274	540.6	1,104.8	276.7	1,381.5	1,922.1
1968	237.6	2,372	563.4	1,002.4	321.7	1,324.1	1,887.5
1969	237.7	2,488	591.4	975.7	340.8	1,316.5	1,907.9
1970	216.4	2,590	560.5	887.9	454.8	1,342.7	1,903.2
1971	213.5	2,213	472.6	882.4	468.4	1,345.8	1,818.4
1972	235.6	2,552	1,590.3	920.9	327.6	1,248.5	1,838.8
1973	222.3	2,026	1,461.4	952.5	276.7	1,229.2	1,690.6
1974 ³	255.5	2,255	576.2	960.0	100.6	1,260.6	1,636.8
Disappearance				Average price per pound	Price support level	Placed under Government loan	
Total	Domestic	Exports	Quantity			Percentage of crop	
Million pounds	Million pounds	Million pounds	Million pounds	Percent			
Flue-cured, types 11-14							
1963	1,266.7	768.3	498.4	58.0	56.6	277.2	20.2
1964	1,218.8	774.7	444.1	58.5	57.2	285.6	20.7
1965	1,175.5	752.4	423.1	64.6	57.7	71.5	6.8
1966	1,274.3	687.2	587.1	66.9	58.8	74.6	6.8
1967	1,221.0	687.7	533.3	64.2	59.9	282.1	22.6
1968	1,197.0	671.7	525.3	66.6	61.6	128.8	12.9
1969	1,180.5	645.9	534.6	72.4	63.8	97.6	9.3
1970	1,174.1	640.1	534.0	72.0	66.6	144.2	12.2
1971	1,142.5	662.5	480.0	77.2	69.4	55.7	5.2
1972	1,183.0	664.2	518.8	85.3	72.7	24.3	2.4
1973	1,301.0	703.0	598.0	88.1	76.6	30.8	2.7
1974					83.3		
Burley, type 31							
1963	570.8	513.4	57.4	59.2	58.3	202.3	26.8
1964	616.3	560.6	55.7	60.3	58.9	110.4	17.8
1965	606.7	549.6	57.1	67.0	59.5	42.2	7.2
1966	600.5	544.1	56.4	66.9	60.6	62.5	10.6
1967	598.0	544.6	53.4	71.8	61.8	64.2	11.9
1968	571.0	516.1	54.9	73.7	63.5	56.2	10.0
1969	565.2	507.1	58.1	69.6	65.8	158.2	26.8
1970	557.4	503.0	54.4	72.2	68.6	47.7	8.5
1971	569.9	515.2	54.7	80.9	71.5	.2	---
1972	609.6	534.5	75.1	79.2	74.9	22.9	3.9
1973	4,630.0	4,545.0	4,85.0	92.9	78.9	.7	.1
1974					85.8		

¹ July for flue-cured; October 1, for burley. ² Sales. ³ Subject to revision. ⁴ Estimated.

manufacturers increase their takings from Commonwealth sources and overall utilization prospects are dampened with last spring's jump in duties.

Lease and transfer of allotments and quotas

Year	Flue-cured		Burley
	Thousand acres	Million pounds	
1962	23.7	---	---
1963	33.1	---	---
1964	41.8	---	---
1965	54.7	---	---
1966	80.1	138.0	---
1967	97.2	167.6	---
1968	122.9	214.6	---
1969	131.8	230.3	---
1970	146.3	255.1	---
1971	166.3	289.4	15.6
1972	182.9	322.1	50.4
1973	192.9	363.1	33.5
1974 ¹	(²)	385.0	35.0

¹ Preliminary. ² Not recorded.

Compiled from records of Tobacco and Peanut Division, ASCS.

Supplies Stabilizing

Despite a larger crop, the reduced carryover means 1974/75 supply is about the same as last season. Total supply has dropped 3 percent annually since 1964 to the lowest level since 1950. Flue-cured tobacco acreage for harvest this year is forecast 8 percent above 1973, due to the larger allotment. Although acreage was off fractionally from March intentions, gains from last year are estimated for all belts. Nationally the yield estimate is 4 percent above last season. The Old and Middle and Eastern North Carolina Belts may decline, but in the Georgia-Florida and South Carolina Belt, yields are substantially above last season, due to better growing conditions. The September 1 forecast for flue-cured production was 1,299 billion pounds—12 percent above 1973. Output is up in all States and Belts.

Flue-cured carryover last July 1 totaled 1,607 million pounds. This was 8 percent below a year earlier. The supply—production plus carryover—is about 1 percent below the 2,908 million pounds in 1973/74. This year's supply is 2.2 times last year's use, about equal to the desired ratio based on legislative formula. With little change in supply this year and with disappearance near last season, carryover next July 1 will decline further (table 17).

By September 1, uncommitted loan stocks of flue-cured tobacco—a component of the carryover and supply estimates above—totaled 142 million pounds. This was only six-tenths the level of a year earlier and the least since the early 1950's. Over the past 3 years the Flue-cured Tobacco Cooperative Stabilization

Corporation—the growers' organization handling price support loans—reduced unsold stocks by about 600 million pounds of tobacco. But with negligible loans from the 1974 crop, and relatively small holdings of limited grade categories, sales this season may decline sharply.

Tobacco loan stocks, 1972-74

Type	(Farm-sales weight)		
	1972	1973	1974
Flue-cured, 11-14	567.6	385.7	294.0
Uncommitted	360.2	260.4	142.4
Burley, 31	336.6	288.3	² 150.0
Uncommitted	321.8	221.0	59.2
Virginia, 21	.5	(¹)	0
Kentucky-Tennessee, 22-23	1.3	3.3	1.4
Kentucky-Tennessee, 35-36	13.1	13.3	6.3
Ohio, 42-44	0	0	0
Puerto Rican, 46	0	0	5.3
Connecticut Valley, 51-52	2.1	2.3	2.2
Southern Wis., 54	0	(¹)	0
Northern Wis., 55	0	.1	0
Total	921.2	693.0	459.2

¹ Negligible.

Compiled from records of Tobacco and Peanut Division, ASCS.

BURLEY

Burley tobacco (type 31) goes chiefly for cigarettes. In the marketing year just ending, nearly three-fourths of burley is going for U.S. cigarettes, 12 percent is for other domestic products and exports will take about 15 percent. Despite the recent pickup, domestic burley use remains below the 1964/65 peak. U.S. burley exports are up as foreign demand for American type blends continues to grow.

Disappearance Rises

Domestic use of burley tobacco for the year ending September 30, probably will total about 2 percent above the 534 million pounds used in 1972/73 (table 16). Exports will set another record, about an eighth above the 75 million pounds of last year. Based on these prospects, total disappearance should also set a record, gaining 3 percent from the 609 million pounds of last season. This would leave October 1 carryover 14 percent smaller than a year earlier.

Disappearance for the first 9 months of the marketing year was 474 million pounds, 18 million more than in the year-earlier period. Both domestic use and exports gained. Domestic use totaled 409 million pounds, 6 million above 1972/73 and the most for that period since 1966/67. Cigarette output is increasing but burley may not be maintaining its share of the cigarette blend. Among the secondary

Table 17---Flue-cured and burley tobacco: Stocks and stocks utilization ratios, manufacturers and dealers, 1952-74

(Farm-sales weight)								
Marketing year	Flue-cured				Burley			
	Domestic manufacturers		Dealers		Domestic manufacturers		Dealers	
	Beginning stocks	Stocks usings	Beginning stocks	Stocks exports	Beginning stocks	Stocks usings	Beginning stocks	Stocks exports
	1/	ratio	1/	ratio	2/	ratio	2/	ratio
	Million pounds	Number	Million pounds	Number	Million pounds	Number	Million pounds	Number
1952	1,364	1.65	185	0.44	899	1.73	39	1.34
1953	1,400	1.80	214	.50	918	1.86	48	1.37
1954	1,447	1.94	189	.44	920	1.90	51	1.55
1955	1,485	2.04	242	.44	867	1.79	48	1.41
1956	1,577	2.24	225	.48	884	1.83	38	1.36
1957	1,594	2.16	274	.62	980	2.05	36	1.29
1958	1,406	1.91	286	.65	958	1.98	40	1.14
1959	1,328	1.73	242	.58	952	1.91	29	.81
1960	1,286	1.62	263	.55	1,048	2.06	53	1.29
1961	1,337	1.71	247	.51	989	1.88	50	1.11
1962	1,467	1.89	237	.55	1,049	1.98	55	1.04
1963	1,478	1.92	307	.62	1,044	2.03	90	1.58
1964	1,406	1.81	283	.64	1,060	1.89	87	1.55
1965	1,363	1.81	274	.65	1,023	1.86	76	1.33
1966	1,349	1.96	253	.43	1,065	1.96	68	1.21
1967	1,306	1.90	281	.53	1,038	1.90	67	1.26
1968	1,258	1.87	271	.52	966	1.87	36	.65
1969	1,081	1.67	219	.41	942	1.86	34	.59
1970	1,014	1.58	214	.40	858	1.71	30	.56
1971	1,010	1.52	204	.43	854	1.66	28	.51
1972	1,087	1.64	206	.40	888	1.66	33	.44
1973	1,154	1.64	193	.32	920	3/1.69	32	3/.38
1974	1,154		176		3/950		3/30	
1/								
2/								
3/								

1/ July 1.

2/ October 1.

3/ Estimated.

outlets for burley, bulk tobacco exports are increasing, but smoking tobacco output is off.

For the first 10 months of this marketing year, burley exports totaled 74 million pounds, 14 million above a year earlier. West Germany took less but the Philippines tripled its takings. Italy, the Netherlands, and Thailand took more. Foreign burley production declined 9 million pounds last year, the first drop in years, so U.S. exports helped to fill the shortfall.

Supplies Reduced

The September estimate of the 1974 U.S. burley crop is 576 million pounds—28 percent above 1973. This is the fourth year of poundage controls. Acreage for harvest is up 15 percent. For 1974 the basic allotment is up and the effective quota is 23 percent more than last season. Prospective yields are 11 percent above last year's level. Burley tobacco prospects improved considerably following early August rains.

Burley supply for 1974/75 (indicated carryover plus the new crop) is about 4 percent below last year and the lowest level since 1951. Prospective supply of about 2.6 times probable disappearance is now a little below the desired supply based on legislative formula and represents a substantial drawdown from the 3.5 supply-use ratio that prevailed in 1970 (table 17).

By August 31, 1974, uncommitted government loan stocks were only one-third the 221 million pounds of a year earlier. With cigarette sales rising and the short crop in 1973, manufacturers bought substantial quantities of loan holdings. Last year's loan receipts were negligible.

Auction sales usually begin in late November. The 1973 crop sold for an average of 92.9 cents per pound. Price support for 1974 burley averages 85.8 cents per pound, about 9 percent above 1973. Loan rates for individual grades will be announced before the markets open.

MARYLAND

Maryland tobacco (type 32) goes almost entirely into cigarettes with about one-third of the crop for export. But annual disappearance since 1950 has varied widely.

Use Gains

Disappearance of Maryland tobacco during the first 9 months of the marketing year that began October 1, 1973, totaled 20 million pounds—about 6 percent above a year earlier. Domestic use rose more than exports fell. As supplies have picked up, U.S. manufacturers are apparently increasing the amount of Maryland tobacco in cigarette blends. For the 1973/74 marketing year, disappearance is expected to exceed reduced levels of the past 2 years (table 18).

Exports of Maryland tobacco remain low. In the first 10 months of the current marketing year, exports were below the year-earlier period. Most markets including Switzerland, the major destination, took less tobacco. U.S. exports of smoking tobacco in bulk to that market rose.

Stocks Higher; Crop Lower

By next January 1 carryover probably will increase from this year's 43.8 million pounds. The Maryland crop in southern Maryland is an estimated 26 million pounds, one-seventh below 1973 when yields were record high. Last year, producers in other areas grew 3½ million pounds, and this season they may grow about the same. Acreage allotments are not in effect, since growers disapproved a marketing quota for the 1974 crop. This year's crop plus the estimated carryover will provide a 1974/75 supply about 5 percent above the year now ending.

Auction sales for the 1973 Maryland tobacco crop began April 16 and ended June 14. Prices to growers averaged 90.5 cents per pound, a record high. Prices advanced for almost all grades, and overall quality of offerings was above the previous season.

Table 18.—Maryland tobacco, type 32: Acreage, yield, production, carryover, supply, disappearance, season average price, 1968-74

Marketing year	Acreage harvested	Yield per acre	Supply			Disappearance ¹			Average price per pound to growers
			Production	Stocks, Jan. 1	Total	Total	Domestic	Exports	
	Thousand acres	Pounds	Pounds	Pounds	Pounds	Million pounds	Million pounds	Million pounds	Cents
1968	29.0	1,100	31.9	81.5	113.4	48.7	38.3	10.4	69.8
1969	26.5	1,060	28.1	66.7	94.8	41.3	29.1	12.2	75.1
1970	27.0	1,090	29.4	50.1	79.5	39.5	27.6	11.9	78.6
1971	27.0	1,040	28.1	46.0	74.1	25.5	17.5	8.0	81.9
1972	24.0	990	23.8	46.6	70.4	25.5	13.4	12.1	84.5
1973 ^{2,3}	27.7	1,260	35.0	43.8	78.8	*28.0	*17.0	*11.0	87.8
1974 ^{2,3}	27.0	1,100	30.0	*52.0	*82.0				

¹ Year beginning October 1. ² Subject to revision. ³ Includes sales and certification data from production in quota areas.
*Estimated.

FIRE-CURED

Fire-cured tobacco is used for making snuff, plug, and twist chewing, cigars and smoking tobacco. Since U.S. production of most of these products has declined over the past decade, the use of fire-cured tobacco has also fallen. Exports—accounting for about six-tenths of the total disappearance—have held up better than domestic use.

Disappearance Up

Disappearance of fire-cured tobacco (types 21-23) during the first 9 months of the marketing year that began October 1, 1973, was 34 million pounds, about 1½ million above a year earlier. Exports steadied while domestic disappearance rose. In October 1973-June 1974, snuff output (the major domestic use of fire-cured) was down from a year earlier.

For the year ending this September, estimated disappearance is above last season's 42 million pounds and substantially exceeds last year's output. Because of the short crop, carryover stocks this October 1 will probably decline about 12 million pounds from last year (table 19). Both kinds, Virginia (type 21) and Kentucky-Tennessee (types 22-23) will absorb the decline.

Exports of fire-cured tobacco in the season now ending are expected to rise from 1972/73. Exports of 19.3 million pounds of Kentucky-Tennessee types during October 1973-July 1974 were 2.4 million pounds above a year earlier. Virginia fire-cured exports of 6.5 million pounds in October 1973-July 1974 were 2.3 million above a year earlier. A sizable shipment was reported to Poland. However, Poland's takings may be a misclassification; Poland normally does not import U.S. fire-cured tobacco.

Production Up; Stocks Down

The September estimate of fire-cured production was 37 million pounds, 9 percent higher than last year's crop. Acreage for harvest is 3 percent larger. Average yield per acre is indicated a little above last year.

Combined supplies of the fire-cured types for 1974/75—estimated carryover and production—total slightly above the 98 million pounds of a year earlier. Only 1½ million pounds of loan stocks are available, a fraction of those of a few years ago.

In Malawi, the chief fire-cured exporter besides the United States, the 1974 crop is estimated at 27 million pounds, about the same as last year. With almost half the crop sold auction prices averaged 53 cents per pound, 20 cents above last year.

DARK AIR-CURED

Dark air-cured tobacco (types 35-37) is used in the manufacture of plug, twist, fine-cut chewing tobacco, and snuff, and also to some extent for smoking

tobacco and cigars. Production and use have declined about half in the past 2 decades. Exports now account for only one-seventh of annual disappearance.

Disappearance Gaining

Disappearance of dark air-cured tobacco during the first 9 months of the current marketing year was 15 million pounds, 1 million above a year earlier. Exports steadied, but domestic use picked up. Last year's price to growers averaged 12 cents per pound higher than in 1972.

For the year ending September 30, 1974, total disappearance may gain about a million pounds from the 17½ million of last year. This would mean a carryover well below the 48 million last October 1 (table 20).

Supplies Declining

The September estimate of this year's dark air-cured crop is 13 million pounds—about the same as last year's low level. Acreage for harvest is estimated lower than last year. With lower carryover, total 1974/75 supplies are estimated 5 million pounds below last year's 61 million pounds. Supplies equal 3 times the past season's use. Mid-1974 loan holdings are about one-half the year-earlier levels.

CIGAR TOBACCO

Cigar leaf tobacco (types 41-62) are classified according to intended usage in cigar manufacture—filler, binder, and wrapper. However, loose leaf chewing tobacco takes most of the cigar binder. Exports are important for cigar wrapper but are negligible for other kinds.

Following production declines since the early 1960's, U.S. and Puerto Rico cigar leaf output may be stabilizing, due to higher prices to growers. Imports of filler leaf and scrap remain large. The Philippines and countries in Central and South America are the chief foreign suppliers. About 175 million pounds of leaf are used annually, with imports predominating.

Filler Disappearance Again Dropping

For the first 9 months of the 1973/74 marketing year, total disappearance of U.S. cigar filler tobacco (types 41-46) was 27 million pounds, down 6 million from the year-earlier level. All types shared in the decline. In the same period, production of loose leaf chewing tobacco gained but cigar production slumped.

So for the 1973/74 year, filler disappearance may fall one-eighth below the 47 million pounds of a year earlier (table 21).

Table 19.—Fire-cured tobacco, Kentucky-Tennessee types 22-23, and Virginia fire-cured type 21: Acreage, yield, production, carryover, supply, disappearance, season average price, and price support operations, 1967-74

(Farm-sales weight)							
Marketing year	Average harvested	Yield per acre	Production	Beginning stocks, October 1 --	Manufacturers and other	Under loan	Total supply
beginning							
October 1							
	Thousand acres	Pounds		Million pounds			
Kentucky-Tennessee fire-cured, types 22-23							
1967	17.3	1,702	29.5	64.0	27.3	91.3	120.8
1968	17.9	1,822	32.6	57.3	21.5	78.8	111.4
1969	19.0	1,797	34.1	61.1	11.6	72.7	106.8
1970	17.7	1,749	30.9	54.1	9.7	63.8	94.7
1971	19.5	1,928	37.6	48.6	4.7	53.3	90.9
1972	20.4	1,844	37.6	55.0	1.2	56.2	93.8
1973	16.6	1,668	27.7	54.2	3.1	57.3	85.0
1974 1/	17.2	1,786	30.7			*46.0	*76.7
Virginia fire-cured, type 21							
1967	5.4	1,290	7.0	12.1	2.7	14.8	21.8
1968	4.9	1,205	5.9	8.9	2.8	11.7	17.6
1969	5.0	1,340	6.7	8.0	1.9	9.9	16.6
1970	5.0	1,230	6.2	8.4	1.4	9.8	16.0
1971	5.0	1,180	5.9	8.0	1.0	9.0	14.9
1972	4.8	970	4.7	7.9	.4	8.3	13.0
1973	4.7	1,220	5.7	7.6	3/	7.6	13.3
1974 1/	4.7	1,250	5.9			*7.0	*12.9
Disappearance							
		Average	Price	Placed under Government loan			
		price	support				Percentage
Total	Domestic	Exports	per pound	level	Quantity	of	
							crop
		Million pounds	Cents	Million pounds			Percent
Kentucky-Tennessee fire-cured, types 22-23							
1967	42.0	14.9	27.1	46.2	41.9	.8	2.7
1968	38.7	2/19.1	19.6	51.1	43.1	.4	1.2
1969	43.0	18.5	24.5	48.1	44.6	1.9	5.6
1970	41.4	13.1	28.3	54.4	56.6	3/	.1
1971	34.7	16.0	18.7	60.8	48.5	3/	.1
1972	36.5	14.2	22.3	57.3	50.8	2.8	7.4
1973	*39.0	*15.0	*24.0	71.7	53.5	.2	.7
1974					58.2		
Virginia fire-cured, type 21							
1967	10.1	3.4	6.7	40.9	41.9	.7	10.1
1968	7.7	3.0	4.7	46.9	43.1	.2	3.4
1969	6.8	1.7	5.1	53.1	44.6	.1	1.5
1970	7.0	2.4	4.6	52.0	46.6	.1	2.0
1971	6.6	3.1	3.5	54.8	48.5	.1	1.0
1972	5.4	1.3	4.1	64.2	50.8	3/	.1
1973	*6.3	*1.1	*5.2	75.5	53.5	3/	---
1974					58.2		

1/ Based on September 1 crop prospects and estimated stocks. 2/ Includes 4.7 million pounds fire loss, April 1969. 3/ Less than 50,000 pounds. * Estimated.

Table 20.—Dark air-cured tobacco, types 35-36, and Sun-cured tobacco type 37: Acreage, yield, production, carryover, supply, disappearance, season average price, and price support operations, 1967-74

(Farm-sales weight)									
Marketing year beginning October 1	Acreage harvested	Yield per acre	Production	Beginning stocks			Total supply		
				Manufacturers and other	Under loan	Total			
		Thousand acres	Pounds	----- Million pounds -----					
Dark air-cured, types 35-36									
1967	9.5	1,629	15.5	39.2	21.3	60.5	76.0		
1968	9.8	1,831	18.0	41.1	17.1	58.2	76.2		
1969	10.1	1,793	18.1	44.1	15.0	59.1	77.2		
1970	8.2	1,863	15.4	35.5	18.2	53.7	69.1		
1971	8.6	1,834	15.7	35.5	14.3	49.8	65.5		
1972	8.2	1,875	15.5	33.5	12.7	46.2	61.7		
1973	7.6	1,647	12.4	31.9	12.8	44.7	57.1		
1974 1/	7.2	1,773	12.8			*39.6	*52.4		
Sun-cured, type 37									
1967	1.2	1,090	1.3	4.2	0	4.2	5.5		
1968	1.1	1,095	1.2	3.9	0	3.9	5.1		
1969	1.1	1,225	1.3	3.8	0	3.8	5.1		
1970	1.0	1,100	1.1	3.3	0	3.3	4.4		
1971	.9	1,200	1.1	3.1	0	3.1	4.2		
1972	.8	1,010	.8	3.0	0	3.0	3.8		
1973	.7	1,320	.9	3.2	0	3.2	4.1		
1974 1/	.6	1,200	.7			*3.1	*3.8		
Disappearance									
: Average									
: price									
: Total Domestic									
: Exports									
: per pound									
: Price level									
: Placed under Government loan									
: Percentage									
: Quantity									
: of									
: crop									
----- Million pounds -----				Cents	Million pounds	Percent			
Dark air-cured, types 35-36									
1967	17.8	14.8	3.0	40.8	37.3	1.4	9.0		
1968	17.1	15.0	2.1	47.4	38.3	.7	3.9		
1969	23.5	21.2	2.3	40.3	39.7	4.8	26.5		
1970	19.3	16.7	2.6	46.0	41.4	1.0	6.8		
1971	19.3	17.4	1.9	47.1	43.1	1.7	10.7		
1972	17.0	14.7	2.3	50.3	45.2	1.2	.8		
1973	*17.5	*15.2	*2.3	61.9	47.6	2/	.2		
1974					51.8				
Sun-cured, type 37									
1967	1.6	1.2	.4	45.2	37.3	3/25	1.9		
1968	1.3	1.1	.2	53.2	38.3	3/1	.1		
1969	1.8	1.5	.3	52.8	39.7	3/1	.1		
1970	1.3	1.1	.2	53.8	41.4	3/3	.3		
1971	1.2	1.0	.2	54.1	43.1	0	---		
1972	.6	.4	.2	57.9	45.2	0	---		
1973	*1.0	*.7	*.3	69.2	47.6	0	---		
1974					51.8				

1/ Based on September 1 crop prospects and estimated stocks. 2/ Quantity placed under Government loan reported in thousand pounds. *Estimated.

Table 21.--Cigar tobacco, types 41-62: Domestic supplies, disappearance, and season average prices, for 1967-74

Crop year	(Farm-sales weight)									
	Acreage harvested		Yield per acre	Supply			Disappearance			Average price per pound to growers
	Thous. acres	Pounds		Beginning stocks 1/	Total supply	Total	Domestic	Exports		
										Cents
Pennsylvania Seedleaf Filler (type 41)										
1967	21.0	1,825	38.3	112.3	150.6	41.9	41.3	0.6		28.0
1968	21.0	1,775	37.3	108.7	146.0	40.9	40.0	.9		30.0
1969	20.0	1,825	36.5	105.1	127.9	44.3	43.7	.6		30.0
1970	17.0	1,800	30.6	97.3	129.3	40.9	40.7	.2		31.0
1971	15.2	1,610	24.5	87.0	111.5	41.3	40.6	.4		36.0
1972	13.0	1,400	18.2	70.2	88.4	34.7	34.4	.3		46.0
1973	13.0	1,700	22.1	53.7	75.8	*31.0	*30.3	*.7		52.0
1974 2/	13.0	1,800	23.4	*44.8	*68.2					
Ohio, Miami Valley Filler (types 42-44)										
1967	2.3	1,580	3.6	15.5	19.1	6.2	6.2	---		29.0
1968	2.0	1,670	3.4	12.9	16.3	5.4	5.4	---		31.0
1969	1.7	1,650	2.8	10.9	13.7	4.7	4.7	---		32.5
1970	1.6	1,750	2.9	9.0	11.9	4.1	4.1	---		38.0
1971	2.0	1,850	3.8	7.8	11.6	4.6	4.6	---		41.0
1972	2.4	1,780	4.2	7.0	11.2	4.4	4.4	---		44.0
1973	2.2	1,650	3.6	6.8	10.4	*4.0	*4.0	---		51.0
1974 2/	2.1	1,600	3.4	*6.4	*9.8					
Puerto Rico Filler (type 46) 3/										
1967	7.6	1,419	10.8	40.5	51.3	16.9	16.9	---		4/33.1
1968	6.0	1,282	7.6	34.4	42.0	16.2	16.2	---		4/33.3
1969	4.7	1,303	6.1	25.8	31.9	12.6	12.6	---		4/33.6
1970	3.2	1,397	4.5	19.3	23.8	8.8	8.8	---		4/36.1
1971	4.8	1,418	6.7	15.0	21.7	9.0	9.0	---		4/39.8
1972	5.6	833	4.8	12.7	17.5	8.3	8.3	---		4/42.1
1973	4.5	1,435	6.5	9.2	15.7	*6.5	-.5	---		4/41.2
1974 2/	3/5.0	1,400	3/7.0	*9.2	*16.2					
Total Cigar Filler (types 41-46)										
1967	30.9	1,707	52.7	168.3	221.0	65.0	64.4	.6		29.1
1968	29.0	1,666	48.3	156.0	204.3	62.5	61.6	.9		30.5
1969	26.4	1,721	45.4	141.8	187.2	61.6	61.0	.6		30.6
1970	21.8	1,737	38.0	125.6	163.6	53.8	53.6	.2		32.1
1971	22.0	1,587	35.0	109.8	144.8	54.9	54.5	.4		37.3
1972	21.0	1,293	27.2	89.9	117.1	47.4	47.1	.3		45.0
1973	19.7	1,633	32.2	69.7	101.9	*41.5	*40.8	*.7		49.7
1974 2/	20.1	1,680	33.8	*60.4	*94.2					
Connecticut Valley Binder (types 51-52)										
1967	1.5	1,819	2.7	16.4	19.1	7.9	5.7	2.2		54.5
1968	1.6	1,808	2.8	11.2	14.0	5.1	4.7	.4		59.5
1969	1.6	1,434	2.3	8.9	11.2	4.2	3.9	.3		58.2
1970	1.7	1,756	2.9	7.0	9.9	2.7	2.4	.3		65.5
1971	1.6	1,743	2.8	7.2	10.0	2.6	2.5	.1		65.7
1972	1.6	1,600	2.5	7.4	9.9	2.4	2.3	.1		70.1
1973	1.6	1,721	2.7	7.5	10.2	*3.0	*2.9	*.1		72.8
1974 2/	1.4	1,780	2.5	*7.2	*9.7					
Southern Wisconsin Binder										
1967	3.8	1,905	7.2	20.7	27.9	8.0	8.0	---		34.4
1968	3.7	1,990	7.4	19.9	27.3	7.7	7.7	---		36.8
1969	3.7	1,740	6.4	19.6	26.0	9.3	9.3	---		40.2
1970	4.4	2,135	9.4	16.7	26.1	7.3	7.3	---		50.3
1971	5.3	2,270	12.0	18.8	30.8	10.5	10.5	---		55.6
1972	5.0	1,685	8.4	20.3	28.7	9.3	9.3	---		48.0
1973	4.9	1,950	9.6	19.4	29.0	*9.5	*9.5	---		60.5
1974 2/	5.0	2,000	10.0	*19.5	*29.5					
Northern Wisconsin Binder (type 55)										
1967	4.5	1,975	8.9	29.3	38.2	9.3	8.9	.4		34.1
1968	4.0	1,670	6.7	28.9	35.6	14.9	14.5	.4		37.9
1969	3.7	1,815	6.7	20.7	27.4	8.8	8.5	.3		43.4
1970	4.4	2,055	9.0	18.6	27.6	9.2	9.1	.1		52.0
1971	5.3	1,980	10.5	18.4	28.9	9.9	9.9	#		54.0
1972	5.8	1,770	10.3	19.0	29.3	9.8	9.8	#		49.0
1973	5.3	1,775	9.4	19.5	28.9	*10.0	*10.0	#		60.7
1974 2/	5.0	1,900	9.5	*18.9	*28.4					

See footnotes at end of table.

Continued --

Table 21.--Cigar tobacco, types 41-62: Domestic supplies, disappearance, and season average prices, for 1967-74--Cont.

Crop year	(Farm-sales weight)								Average price per pound to growers	
	Acreage harvested	Yield per acre	Supply			Disappearance				
	Thous. acres	Pounds	Beginning stocks 1/	Total supply	Total	Domestic	Exports			
	Million pounds								Cents	
	Total Wisconsin Binder (types 54-55)									
1967	8.3	1,943	16.1	50.0	66.1	17.3	16.9	0.4	34.2	
1968	7.7	1,824	14.1	48.8	62.9	22.6	22.2	.4	37.3	
1969	7.4	1,778	13.1	40.3	53.4	18.1	17.8	.3	41.8	
1970	8.8	2,095	18.4	35.3	53.7	16.5	16.4	.1	51.1	
1971	10.6	2,125	22.5	37.2	59.7	20.4	20.4	#	54.9	
1972	10.8	1,731	18.7	39.3	58.0	19.1	19.1	#	48.5	
1973	10.2	1,859	19.0	38.9	57.9	*19.5	*19.5	#	60.6	
1974 2/	10.0	1,950	19.5	*38.4	*57.9					
	Total Cigar Binder (types 51-55)									
1967	9.8	1,924	18.8	66.4	85.2	25.2	22.6	2.6	37.1	
1968	9.3	1,821	16.9	60.0	76.9	27.7	26.9	.8	41.0	
1969	9.0	1,716	15.4	49.2	64.6	22.3	21.7	.6	44.3	
1970	10.5	2,041	21.3	42.3	63.6	19.2	18.8	.4	53.1	
1971	12.2	2,075	25.3	44.4	69.7	23.0	22.9	.1	56.1	
1972	12.4	1,714	21.2	46.7	67.9	21.5	21.4	.1	51.1	
1973	11.8	1,841	21.7	46.4	68.1	*22.5	*22.4	.1	62.1	
1974 2/	11.4	1,909	22.0	*45.6	*67.6					
	Connecticut Valley Shade-grown (type 61)									
1967	8.5	1,124	9.6	16.0	25.6	12.9	9.6	3.3	360.0	
1968	8.4	1,215	10.2	12.7	22.9	10.8	9.1	1.7	280.0	
1969	6.3	1,288	8.1	12.1	20.2	8.0	7.0	1.0	400.0	
1970	6.0	1,535	9.3	12.2	21.5	7.6	6.6	1.0	400.0	
1971	4.7	1,635	7.7	13.9	21.6	8.4	5.7	2.7	400.0	
1972	4.0	1,250	5.1	13.2	18.5	7.6	4.8	2.8	485.0	
1973	5.0	1,210	6.0	10.7	16.7	8.2	6.3	1.9	515.0	
1974 2/	5.0	1,550	7.8	8.5	16.3					
	Georgia-Florida Shade-grown (type 62)									
1967	5.1	1,573	8.0	8.7	16.7	7.9	6.3	1.6	245.0	
1968	5.0	1,556	7.9	8.8	16.7	9.2	7.1	2.1	270.0	
1969	5.0	1,569	7.8	7.5	15.3	6.1	5.2	.9	280.0	
1970	3.6	1,590	5.6	9.2	14.8	6.7	5.8	.9	270.0	
1971	3.0	1,582	4.7	8.1	12.8	6.2	5.4	.8	262.0	
1972	3.0	1,517	4.6	6.6	11.2	4.2	3.8	.4	280.0	
1973	2.6	1,413	3.7	7.0	10.7	4.2	3.7	.5	350.0	
1974 2/	1.9	1,725	3.2	6.5	9.7					
	Total Shade-grown (types 61-62)									
1967	13.6	1,292	17.6	24.7	42.3	20.8	15.9	4.9	308.0	
1968	13.4	1,343	18.1	21.5	39.6	20.0	16.2	3.8	276.0	
1969	11.3	1,411	15.9	19.6	35.5	14.1	12.2	1.9	341.3	
1970	9.6	1,555	14.9	21.4	36.3	14.3	12.4	1.9	351.0	
1971	7.7	1,614	12.1	22.0	34.4	14.6	11.1	3.5	347.5	
1972	7.0	1,365	9.7	19.8	29.5	11.8	8.6	3.2	387.0	
1973	7.6	1,280	9.7	17.7	27.4	12.4	10.0	2.4	452.0	
1974 2/	6.9	1,598	11.0	15.0	26.0					
	Grand Total Cigar Tobacco (types 41-62)									
1967	54.3	1,642	89.1	259.4	348.5	111.0	102.9	8.1	85.7	
1968	51.7	1,610	83.3	237.5	320.8	110.2	104.7	5.5	85.9	
1969	46.7	1,645	76.7	210.6	287.3	98.0	94.9	3.1	97.7	
1970	41.9	1,771	74.2	189.3	263.4	87.3	84.8	2.5	102.3	
1971	41.9	1,734	72.7	176.2	248.9	92.5	88.5	4.0	96.7	
1972	40.4	1,434	58.1	156.4	214.5	80.7	77.1	3.6	104.4	
1973	39.1	1,627	63.6	133.8	197.4	*76.4	*73.2	*3.2	115.7	
1974 2/	38.4	1,739	66.8	*121.0	*187.8					

1/ October 1 for types 41-55; July 1 for types 61-62.

2/ Based on September 1 crop prospects and estimated stocks.

3/ Puerto Rican planting occurs late in calendar year; projected for 1974.

4/ Excludes payment by Puerto Rican Government; 20 cents per pound in 1973.

Less than 50,000 pounds.

* Estimated.

Imports Supplementing Lower U.S. Supplies

During October 1973-June 1974, U.S. manufacturers used 120 million pounds of foreign cigar tobacco (imports for consumption) or 31 million more than a year earlier. With the continuing drop in domestic supplies, manufacturers may draw more heavily on foreign leaf. Foreign-grown cigar leaf stocks in the United States on July 1 totaled 124 million pounds, up 10 million from a year earlier. The major origins recorded grains.

Cigar Binder Disappearance Picks Up

Cigar binder disappearance for October 1973-June 1974 was 18 million pounds, up 2½ million from a year earlier. All types gained. For Wisconsin tobacco, loose leaf chewing tobacco remains the major outlet, and that production has gained in the past 6 years.

With the production gains for the more expensive cigars, disappearance of Connecticut Valley binder tobacco for 1973/74 is estimated above the previous season and above last year's output. Carryover on

October 1, 1974, is expected to total about 7 million pounds.

Disappearance of Wisconsin tobacco for 1973/74 may gain 1½ million pounds from 1972/73. This would exceed last season's production, leaving stocks slightly below the 39 million on October 1, 1973.

Cigar Wrapper Disappearance Turns Up

Disappearance of shade-grown wrapper (types 61-62) in the year ended June 30 was 12.4 million pounds, about 0.6 million above a year earlier. Exports were off, but domestic use recovered from the previous low. Production has continued to drop in the Georgia-Florida area, but has recovered some in the Connecticut Valley. Large labor requirements and rising costs hamper U.S. wrapper growers.

U.S. and Puerto Rican Supplies to Decline

Supplies of U.S. and Puerto Rican cigar tobacco will decline from 1973/74, continuing the postwar trend. Although prospective production is a little

Foreign-grown cigar leaf tobacco: U.S. imports and stocks, 1971-74

(Farm-sales weight)

Country of Origin	Imports for consumption				Dealers and manufactures stocks, July 1—			
	October-September 1972-73	October-June			1971	1972	1973	1974
		1971-72	1971-72	1973-74				
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
Philippine Republic	25.1	21.5	15.9	38.4	38.7	33.9	31.1	40.9
Dominican Republic	15.3	8.7	11.2	11.0	13.5	12.0	18.7	22.0
Brazil	21.0	3.1	13.7	9.3	9.4	8.0	10.5	8.9
Colombia	11.7	8.9	9.7	5.3	10.4	11.1	13.2	9.7
Paraguay	8.0	3.5	6.4	4.1	7.3	4.1	6.7	8.3
Mexico	6.5	5.7	4.6	15.2	5.3	6.0	4.9	3.0
Indonesia	6.4	1.8	4.8	7.3	4.7	4.3	9.0	10.6
All others	19.0	7.3	22.6	29.8	13.1	14.4	20.1	20.6
Total	113.0	60.5	88.9	120.4	102.4	93.8	114.2	124.1

Cigar leaf tobacco price support operations, 1970-74

(Farm-sales weight)

Type	Placed under Government loan, crop years—				Remaining under Loan, end of August			
	1970	1971	1972	1973	1971	1972	1973	1974
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
Ohio, 42-44	0	0	0	0	0	0	0	0
Puerto Rican, 46	3.1	4.7	3.4	3.0	2.8	0	0	5.3
Conn. Valley, 51-51 .....	.6	.9	.6	.3	2.4	2.1	2.3	2.2
Southern Wis., 54	0	(¹)	(¹)	0	0	(¹)	(¹)	0
Northern Wis., 55	0	0	.2	0	0	.1	0	
Total	3.7	5.6	4.2	3.3	5.2	2.1	2.4	7.5

¹ Negligible.

larger, October 1, 1974, carryover is down sharply. For each category—cigar filler, binder, and wrapper—supplies are lower. By August 31, unsold loan stocks remained near last year's low level.

Filler. As of September 1, the Pennsylvania filler crop was indicated at 23 million pounds, slightly above 1973's. The new crop plus the reduced carryover will provide a supply about an eighth below last season's.

Despite the reassignment of some allotments, Ohio filler acreage is estimated about 5 percent below the record low of last year. As of September 1, the crop was placed at 3.4 million pounds, slightly below last year. The crop plus the lower carryover will provide a total supply for 1974/75 about 0.6 million pounds below last year.

Carryover of Puerto Rican filler on October 1 is estimated about unchanged from the record low of a year earlier. For 1974/75, the Puerto Rican government has announced a quota of 22½ million pounds—about 3 times the harvest early this year. Production has been considerably below the announced quota for the past several seasons even though the Commonwealth pays growers a subsidy (20 cents per pound in 1973/74). Supply for 1974/75 may hold near the 16 million pounds of the past season.

Binder. Cigar binder acreage in the Connecticut Valley is estimated about a tenth below last year. Quotas were lifted again this year. Indicated yields

are up, so as of September 1, production was estimated at 2½ million pounds, 6 percent below last year. With a little smaller carryover, supplies may decline slightly.

Acreage of Wisconsin binder tobacco is estimated slightly below last year. Some growers again released their acreage allotments for use by growers who wished to increase their production. With larger yields than last year, Wisconsin production was indicated a little larger at 20 million pounds. Carryover is estimated below a year ago, so supply may remain the same in 1974/75. The Wisconsin Department of Agriculture will hold a hearing next month on a proposed State marketing order for type 54 tobacco. It sets up mandatory grading.

Wrapper. The indicated acreage of Connecticut Valley wrapper is the same as 1973. With greater yields, production may rise 1.7 million pounds above last year's level. Carryover on July 1 was down from 1973. The supply of Connecticut Valley wrapper is below last year when it was the lowest since 1945.

Indicated acreage of Georgia-Florida wrapper is at the lowest level since 1933. Many growers have found the returns unprofitable in recent years. As of September 1, production was an indicated 0.5 million pounds below last year. Carryover in July was down half a million from a year earlier. Supply is down a million pounds below 1973/74 and the lowest since 1949.

FOREIGN PRODUCTION AND SALES

In recent years world production of cigarettes has gained about 4 percent annually, as population and incomes rose. Since 1965, world tobacco trade has shifted due to the U.N. sanction against Rhodesia. To fill the gap left by Rhodesia, many foreign suppliers are increasing tobacco production and actively competing for larger market shares. The largest tobacco importing market is the 9-member European Community. The United States faces special competition since Commonwealth countries still retain some preferential duties on their U.K. shipments. And certain associated countries enjoy preferential or duty-free access to the European Community on tobacco shipments.

Flue-cured Production

Harvest of foreign flue-cured tobacco in 1974 may gain a little from the 3.2 billion pounds in 1973. Among foreign countries, Brazil, Malawi, Zambia, Angola, and South Africa may record gains. Lower flue-cured output is expected in Japan. The People's Republic of China (PRC) may have harvested about the same quantity. India's crop may be reduced with fertilizer shortages and inadequate rainfall.

The 1974 Rhodesian crop suffered from rains but is

estimated about one-half above last season's 110 million pound outturn. With the large stockpile from earlier years virtually gone, no quota applies for 1975. In Canada, the flue-cured crop this year may not change much from last season's 250 million pounds.

UK Tobacco Situation

The United Kingdom takes about one-fifth of U.S. exports of unmanufactured tobacco. Cigarette manufacturing has been affected for many years by extremely high revenue duties on tobacco. The filter-tip proportion reached 84 percent of output in 1973. As a result, U.K. tobacco use has been about static for several years, even though cigarette sales still gain. U.K. tobacco manufacturers export about one-sixth of their output. In the first 6 months of 1974 exports fell 11 percent below a year earlier (table 22).

U.K. manufacturers' use (gross clearance from bond) remained about the same in the first half of 1974 and the U.S. share declined further to 35 percent and stocks represented 1.2 year's supply, about the same as a year earlier. With supplies from many traditional sources limited, stabilized U.S. stocks appear likely in 1974/75. Overall use may decline as

Table 22.—United Kingdom tobacco: Imports, stocks, clearances, and exports, 1971-74

Item	July-June			Item	July-June		
	1971-1972	1972-1973	1973-1974		1971-1972	1972-1973	1973-1974 ¹
	Million pounds	Million pounds	Million pounds		Million pounds	Million pounds	Million pounds
Imports, by source:				Gross clearances:			
United States	90	111	122	Full duty rate ²	149	152	152
Commonwealth	123	128	147	Commonwealth rate ³	148	160	166
Other	53	49	78	Total	297	312	318
Total	266	288	347				
Exports:				Flue-cured:			
Manufactured products	58	62	67	United States	117	114	107
Unmanufactured	5	9	11	Canada	58	62	63
Stocks, June 30:				India	41	44	44
Flue-cured	330	279	⁴ 290	Zambia and Malawi	15	17	20
Other	55	60	⁴ 70	Rhodesia	1	---	---
Total	385	339	⁴ 360	Other	30	35	33
				Net clearances:	227	236	(⁵)

¹ Estimated. ² Equivalent to \$13.67 per pound. ³ Equivalent to \$13.556 per pound. ⁴ May 31. ⁵ Not available.

Compiled from official United Kingdom sources.

cigarette manufacturers further shift to mini-cigarettes as a result of duty increases. Test

marketing of cigarettes with synthetic tobacco continues.

TOBACCO USED IN CIGARETTES

1973/74 Developments

U.S. cigarette manufacturers used an estimated 1,222 million pounds of tobacco (unstemmed processing weight) in cigarettes in 1973. This was about 4 percent above the year before, as cigarette

output increased. Use of domestic tobaccos increased (table 24). This year, with cigarette output again gaining, manufacturers are expected to use more tobacco.

Manufacturers used an estimated 1.9 pounds of tobacco (unstemmed weight) per 1,000 cigarettes

Table 23.—Tobacco: EC imports, by major suppliers, 1955-73

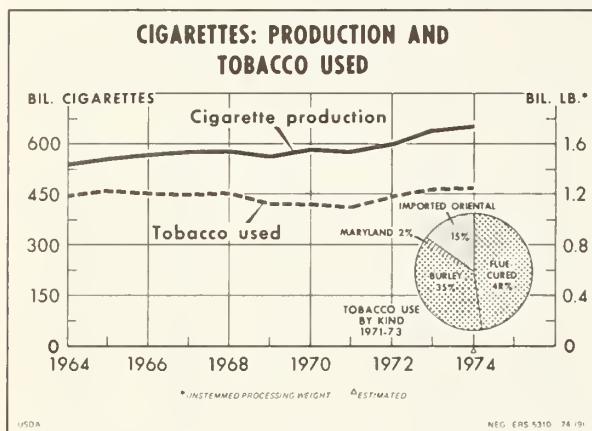
Year	United States	Latin America	Other EC and Associates		India, Canada, Rhodesia, Zambia, Malawi	Other	Total	U.S. share of total
			Greece and Turkey	Other EC and associated areas				
Average								
1955-59	119	53	90	41	27	57	387	30.7
1960-64	140	89	86	55	61	109	540	25.9
1965	159	120	84	49	73	126	611	26.0
1966	172	113	101	53	55	132	626	27.5
1967	190	110	99	60	27	178	664	28.6
1968	145	95	97	65	21	170	593	24.5
1969	178	98	100	66	20	193	655	27.2
1970	142	112	104	72	15	195	640	22.2
1971	178	132	126	79	20	207	743	24.0
1972	179	137	114	100	20	212	762	23.5
1973 ¹	172	125	117	128	22	264	828	20.8
1973 ²	346	150	120	153	169	322	1,260	27.5

¹ Belgium, Luxembourg, France, Italy, Netherlands, and West Germany. ² EC(6) plus Denmark, Ireland, and United Kingdom.

Table 24.--Estimated leaf used for cigarettes by kinds of tobacco, 1950-73

Year	Farm-sales weight				Unstemmed-processing weight				
	Flue-cured	Burley	Maryland	Total domestic	Flue-cured	Burley	Maryland	Imported	Total
	<u>Million pounds</u>								
Average:									
1950-54	736	421	23	1,180	651	373	22	73	1,119
1955-59	701	417	20	1,138	622	371	19	92	1,104
1960	731	437	16	1,184	651	389	16	116	1,172
1961	758	453	16	1,227	674	403	16	125	1,218
1962	745	462	16	1,223	663	411	16	126	1,216
1963	752	467	16	1,235	670	416	16	127	1,229
1964	725	455	15	1,195	645	405	15	121	1,186
1965	723	485	17	1,225	643	433	17	132	1,225
1966	686	487	19	1,192	613	435	19	135	1,202
1967	658	483	19	1,160	587	432	19	154	1,192
1968	652	482	18	1,152	582	430	18	171	1,201
1969	612	447	31	1,090	546	399	31	157	1,133
1970	613	448	27	1,088	548	400	27	163	1,138
1971	596	432	24	1,052	532	386	24	165	1,107
1972	621	460	16	1,097	555	411	16	193	1,175
1973	659	487	16	1,162	588	435	16	183	1,222
Per 1,000 cigarettes									
Pounds									
Average:									
1950-54	1.776	1.016	.057	2.849	1.571	.899	.053	.177	2.700
1955-59	1.570	.936	.045	2.551	1.394	.832	.042	.205	2.473
1960	1.442	.862	.032	2.336	1.284	.767	.032	.229	2.312
1961	1.435	.857	.030	2.322	1.276	.763	.030	.237	2.306
1962	1.391	.863	.030	2.284	1.238	.768	.030	.235	2.271
1963	1.366	.848	.029	2.243	1.217	.756	.029	.231	2.232
1964	1.343	.842	.028	2.213	1.195	.750	.028	.224	2.197
1965	1.298	.871	.031	2.200	1.155	.778	.030	.237	2.200
1966	1.209	.858	.033	2.101	1.081	.767	.033	.238	2.119
1967	1.142	.838	.033	2.013	1.019	.750	.033	.267	2.069
1968	1.125	.832	.031	1.988	1.004	.742	.031	.295	2.072
1969	1.097	.802	.056	1.955	.979	.716	.055	.282	2.032
1970	1.051	.768	.046	1.865	.940	.686	.046	.279	1.951
1971	1.034	.749	.042	1.825	.923	.669	.042	.286	1.920
1972	1.037	.768	.027	1.832	.926	.686	.027	.322	1.961
1973	1.023	.756	.025	1.804	.913	.675	.025	.284	1.897
Percentage distribution									
Percent									
Average:									
1950-54	62.4	35.6	2.0	100.0	58.2	33.2	2.0	6.6	100.0
1955-59	61.6	36.7	1.7	100.0	56.3	33.6	1.8	8.3	100.0
1960	61.7	36.9	1.4	100.0	55.5	33.2	1.4	9.9	100.0
1961	61.8	36.9	1.3	100.0	55.3	33.1	1.3	10.3	100.0
1962	60.9	37.8	1.3	100.0	54.5	33.8	1.3	10.4	100.0
1963	60.9	37.8	1.3	100.0	54.5	33.9	1.3	10.3	100.0
1964	60.7	38.0	1.3	100.0	54.4	34.1	1.3	10.2	100.0
1965	59.0	39.6	1.4	100.0	52.5	35.3	1.4	10.8	100.0
1966	57.6	40.8	1.6	100.0	51.0	36.2	1.6	11.2	100.0
1967	56.8	41.6	1.6	100.0	49.3	36.0	1.6	12.9	100.0
1968	56.6	41.8	1.6	100.0	48.5	36.0	1.5	14.2	100.0
1969	56.2	41.0	2.8	100.0	48.2	35.2	2.7	13.9	100.0
1970	56.3	41.2	2.5	100.0	48.2	35.1	2.4	14.3	100.0
1971	56.7	41.0	2.3	100.0	48.1	34.8	2.2	14.9	100.0
1972	56.6	41.9	1.5	100.0	47.2	35.0	1.4	16.4	100.0
1973	56.7	41.9	1.4	100.0	48.1	35.6	1.5	14.9	100.0

produced in 1973, about 4 percent below a year earlier. Flue-cured tobacco accounts for almost half the tobacco used in cigarettes, with burley, Maryland, and imported tobaccos accounting for the rest. Last year the Maryland proportion remained about the same; flue-cured and burley increased while imports decreased.



In connection with periodic "tar" and nicotine analysis, the Federal Trade Commission also reports the average weight of cigarettes sampled. Considering the 27 varieties (i.e., brands and brand variations) of cigarettes that account for about five-sixths of U.S. sales, the average weight per cigarette (including paper and filter) declined about 0.7 percent in 1973/74, about the same decline as in 1972/73.

Last spring, Celanese Fibers Company²

announced plans to sell a synthetic tobacco substitute to 2 British cigarette manufacturers. The 2 British companies, Carreras Rothmans, Ltd., and Gallaher, Ltd., agreed to purchase Celanese's cellulose product over the next 5 years and the 3 firms would begin a joint research and development project in Britain based on government guidelines. Celanese expects to produce about 9 million pounds of synthetic tobacco annually by late next year at a factory in Maryland.

Another U.K. company, Imperial Tobacco, is building a factory in Scotland for New Smoking Material (NSM) for cigarettes. Consumer trials are about to begin for cigarettes containing 10 to 20 percent NSM, a product jointly developed by Imperial Tobacco and Imperial Chemical Industries. Last fall a cigarette containing a substitute material was made by Courtaulds, Ltd., but withdrawn from sale after a short market test. Further laboratory testing is underway.

Synthetic smoking products are designed to supplement tobacco supplies and lower the tar and nicotine content of cigarettes. Some cigarette manufacturers may find it advantageous to use a controlled, mass-produced substitute instead of depending on a natural raw material where quantity and price vary considerably from year to year. So far, it is still not known how much of a challenge synthetic tobacco presents to natural leaf. But the substantial development efforts to date suggests that synthetics will grow in importance in the years ahead and potentially could capture a sizable part of the market.

²Use of company or product names herein is for identification only and does not imply endorsement by the U.S. Department of Agriculture.

Table 25.—Cash receipts from tobacco as percentage of cash receipts from crops and all farm commodities, by States, 1972 and 1973

State	1972			1973 ¹		
	Tobacco	Tobacco as:		Tobacco	Tobacco as:	
		Percentage of crops	Percentage of all farm commodities		Percentage of crops	Percentage of all farm commodities
	Million dollars	Percent	Percent	Million dollars	Percent	Percent
North Carolina	586	58.7	35.7	720	51.1	30.3
Kentucky	331	68.5	30.7	306	50.7	22.6
South Carolina	113	34.7	20.9	115	25.2	15.2
Virginia	90	32.1	13.5	122	29.2	13.2
Tennessee	92	29.0	11.0	89	18.0	7.7
Georgia	100	17.0	7.3	89	11.1	4.5
Florida	27	2.5	1.7	29	2.2	1.5
Maryland	23	17.4	5.6	20	10.2	3.5
Connecticut	22	32.4	13.0	21	28.6	10.3
Pennsylvania	9	3.2	.8	8	2.5	.6
Ohio	13	1.9	.9	16	1.3	.7
Indiana	10	1.3	.6	11	.7	.4
Massachusetts	9	11.6	5.5	8	9.0	4.0
Wisconsin	12	4.3	.7	9	2.2	.4
Missouri	3	.5	.2	4	.3	.1
West Virginia	2	7.8	1.7	3	7.2	1.8
United States ²	1,442	5.7	2.4	1,570	3.7	1.8

¹ Subject to revision. ² U.S. total receipts from tobacco include relatively small receipts from a few States not shown separately.

Detail may not add to total due to rounding.

Table 26.—Expenditures for tobacco products, and disposable personal income, 1964-73

Year	Total	Cigarettes	Cigars	Other ¹	Disposable personal income ²	Percent of disposable personal income			
						All products	Spent on tobacco products		
							Cigarettes	Cigar	Other ¹
	Million dollars	Million dollars	Million dollars	Million dollars	Billion dollars	Percent	Percent	Percent	Percent
1964	8,113	7,024	765	324	438	1.85	1.60	.18	.07
1965	8,651	7,609	734	308	473	1.83	1.61	.16	.06
1966	9,140	8,113	718	309	512	1.79	1.59	.14	.06
1967	9,582	8,572	706	304	546	1.76	1.57	.13	.06
1968	10,112	9,094	703	315	591	1.71	1.54	.12	.05
1969	10,444	9,404	701	339	634	1.65	1.49	.11	.05
1970	11,544	10,448	707	389	692	1.67	1.51	.10	.06
1971	12,155	11,040	700	415	746	1.63	1.48	.09	.06
1972 ³	12,910	11,765	720	425	803	1.61	1.47	.09	.05
1973 ³	13,485	12,325	730	430	904	1.49	1.36	.08	.05

¹ Smoking tobacco, chewing tobacco, and snuff. ² Compiled from reports of Department of Commerce, Bureau of Economic Analysis. ³ Subject to revision.

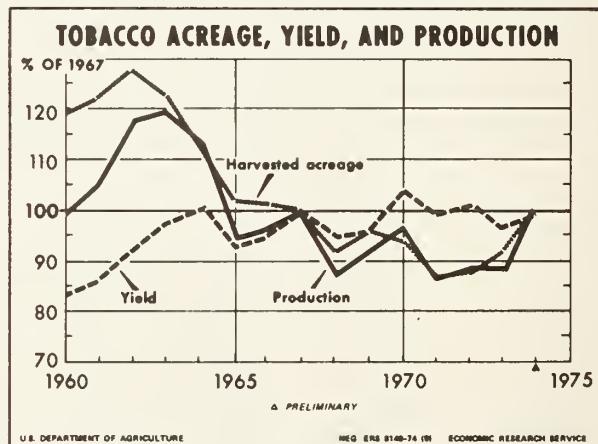
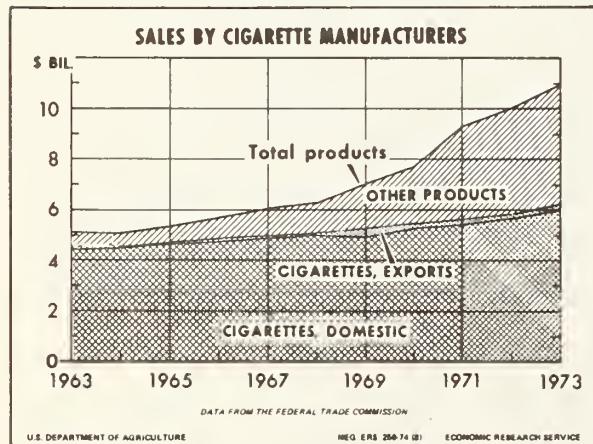
Table 27.—Governmental revenue from tobacco products, 1965-74

Fiscal year	Federal Government				State and local Governments		All governments
	Cigarettes ¹	Cigars ²	Manufactured tobacco	Total ⁴	State	Local	
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
1964-65	2,070	61	17	2,149	1,284	102	3,535
1965-66	2,006	58	9	2,074	1,541	105	3,720
1966-67	2,023	56	---	2,080	1,615	116	3,811
1967-68	2,066	55	---	2,122	1,886	100	4,108
1968-69	2,082	54	---	2,138	2,056	97	4,291
1969-70	2,036	57	---	2,094	2,308	129	4,531
1970-71	2,150	55	---	2,207	2,536	140	4,883
1971-72	2,151	54	---	2,207	2,831	168	5,206
1972-73	2,221	54	---	2,277	3,010	186	5,473
1973-74 ⁵	2,400	48	---	2,450	3,150	200	5,800

¹ Includes large cigarettes. ² Includes small cigars and revenue on cigars from Puerto Rico covered into the Treasury of Puerto Rico. ³ Federal excise tax on chewing tobacco, smoking tobacco, and snuff repealed effective January 1, 1966. ⁴ Includes cigarette

paper and tubes, and imported cigarettes and cigars. ⁵ Estimated.

Compiled from reports of the Internal Revenue Service and the Bureau of the Census.



FLUE-CURED TOBACCO PRODUCTION COSTS AND PRICES, 1972-74

by

William D. Givan and Frederic L. Hoff
Agricultural Economists
Commodity Economics Division
Economic Research Service

ABSTRACT: Sizable increases in the price of petroleum products, fertilizer, labor, and other inputs have resulted in a dramatic increase in the cost of producing the 1974 flue-cured tobacco crop. Estimated budgets for two flue-cured tobacco production systems indicate that production costs (excluding land, management, and allotment costs) have risen about 37 percent since 1972. Likewise, prices received for flue-cured tobacco have increased significantly. As of September 12, 1974 the price received by farmers for flue-cured leaf averaged \$1.01 per pound, up 13 cents from 1973 and 16 cents above the 1972 average.

KEYWORDS: Flue-cured tobacco, production costs, tobacco harvest systems.

Flue-cured tobacco growers experienced a dramatic increase in the cost of inputs used to produce the 1974 crop. There have been advances in the price of petroleum products, fertilizer, twine, and labor.

Early in the current marketing season for flue-cured tobacco, many growers expressed concern that prices being received for the 1974 crop were inadequate to recover higher input costs. However, with progression of the current marketing season, tobacco leaf prices have increased significantly.

Nature of Cost Increases

The price of liquified petroleum gas (LP gas) has increased over 100 percent since 1972. At the same time, diesel fuel prices have jumped 70 percent and fertilizer 100 percent. Farm wage rates have also increased, though less sharply. And since tobacco production is very labor intensive, a small wage increase represents a sizable increase in expense. To reduce labor costs tobacco farmers are gradually mechanizing the production process.

Current cultural practices for flue-cured tobacco require large quantities of these higher priced inputs per acre. Consequently, the cost of producing flue-cured tobacco in 1974 probably increased relatively more than costs for most other crops.

Production costs for flue-cured tobacco vary widely among farmers due to differences in management

ability, productivity of land and labor, and to the vagaries of weather. Costs also vary by production system and at least 10 different systems are currently used to harvest flue-cured tobacco. Thus, no single budget or set of budgets can depict the production costs of all tobacco farmers. However, budgets can be used to evaluate changes in production costs for specified situations.

Costs For Two Harvest Systems

To better assess the magnitude of recent increases in input prices, production costs of two commonly used harvest systems are compared for 1972 and 1974. These two systems are 1) a system using walking primers, a tying machine, and a conventional barn (used on about 40 percent of the flue-cured tobacco acreage in 1972), and 2) a system using a priming aid and bulk barns (this system and variations of it were used on nearly 8 percent of the 1972 tobacco acreage). The bulk system was selected for comparision as it exemplifies one aspect of the current trend toward new labor-saving technology.

Labor use estimates were obtained from a 1972 ERS survey of flue-cured tobacco farms. Pre-harvest costs are based on estimated input requirements to obtain given production levels. Fixed machinery costs are based on 11.55 acres of tobacco per farm, a near typical acreage per farm.

Detailed items of costs were determined for each harvest system. For example, all labor, both hired and family, was evaluated at 1972 and 1974 farm wage rates. Interest on operating capital was charged on the amounts of funds and for the estimated period of time needed. Both cash operating costs and imputed overhead costs on investment were included. Overhead costs include interest on capital investment (excluding land), depreciation on machinery and equipment, insurance, and repairs or maintenance.

Not shown are land, management, and tobacco allotment costs. The value of these items varies significantly by farms so complete budget estimates would require arbitrary assumptions. Consequently, the difference between total expenses shown for each harvest system and gross sales is a net return to land, management, and allotment. From this net return, a farmer must deduct appropriate taxes and interest on real estate and a charge for use of the tobacco allotment. When the allotment is rented the latter charge is the rental or lease rate. For owned allotment, it is the opportunity cost of funds invested in allotment.

Labor is the largest cost component in a harvest system using walking primers, tying machine, and a conventional barn (table 1). For this system, labor costs constitute nearly 36 percent of estimated production costs this year, down from 39 percent in 1972. However, wage rates rose about 26 percent, 1972-74, and added \$0.04 per pound to production costs. Curing fuel comprised over 13 percent of production costs in 1974 compared to 8 percent 2 years ago. Tractor and fertilizer costs are the next two largest cost items. Both increased substantially due to price increases. Total specified expenses for an acre of tobacco produced by this system increased about 37 percent from 1972 to 1974—an increase from \$.42 to \$.58 per pound of tobacco.

Tobacco production costs for a semi-mechanized harvest system (riding primers, bulk barns) also increased substantially (37 percent) since 1972 (table 2). Although this system uses about 70 hours less labor per acre than the conventional system, labor expenses are over 28 percent of total production costs. The next largest cost item, reflecting the substitution of capital for labor, was for bulk barns. Prices for bulk barns increased about a fourth in the last 2 years. Total specified expenses of producing tobacco with this bulk system increased from 40 cents per pound in 1972 to 55 cents in 1974. These production costs are lower than for the conventional system.

Market Prices Versus Production Costs

Without considering inflation or purchasing power of the dollar, net returns per pound from 1974 sales of flue-cured tobacco are comparable to those of 1972. As

of September 12, cumulative sales for flue-cured tobacco averaged \$1.01 per pound. This represented a 16-cent increase over the 1972 average sale price of 85 cents. Thus, for the conventional system net returns (excluding land, management, and allotment costs) are estimated to be about 43 cents per pound in both 1972 and 1974. For the bulk system, net returns in 1972 and 1974 are estimated at 45 cents and 46 cents per pound, respectively.

Parity Index

The parity index, a measure of prices paid by farmers for commodities and services including interest, taxes, and farm wage rates, is prescribed for use in the formulation of parity prices for agricultural commodities. For tobacco growers it is the basis for computing the tobacco price support level. The price support level adjustment factor for a given year equals the average parity index (1910-14=100) for the previous 3 calendar years divided by the 1959 average parity index and this ratio is multiplied times 100. The actual price support level is then calculated by multiplying the adjustment factor times 55.5 cents per pound (the 1959 support price for flue-cured tobacco).

During a period when input prices are increasing rapidly, upward adjustment of price supports is dampened because the parity index is averaged over the previous 3 years. Consequently, the major impact of the sharply higher 1974 input prices on the support level for flue-cured tobacco will be spread over the next 3 crop years, 1975-77. Also, if the parity index underestimates increases in tobacco production costs, increases in the price support level will not completely reflect the current effect of inflation on tobacco farmers.¹

As shown in table 3, the parity index increased 28 percent from 1972 (annual average) to July 15, 1974—about 9 percentage points less than the 1972-74 increase in tobacco production costs. At the same time, the 1974 price support level for flue-cured tobacco was up 10.6 cents per pound (15 percent) from 1972 compared with 15 to 16 cents per pound higher costs. However, cumulative sales by mid-September, 1974 averaged \$1.01 per pound providing for the largest spread between market price and price support in the post World War II period. If the average price for the 1974 crop holds at this level the 1972 spread between production costs and market price per pound will be maintained.

Some tobacco growers are attempting to compensate for rising input prices by mechanizing to

¹In the computation of the parity index, prices paid for various goods and services are weighted by quantities purchased by farmers in a base period. If the index does not reflect the mix of production inputs bought by tobacco farmers it will not necessarily provide an accurate measure of the effect of price changes on tobacco production costs.

Table 1.--Estimated costs per acre for flue-cured tobacco,
conventional barn, 1972 and 1974 1/

Item	Unit	Quantity	1972		1974	
			Price	Value	Price	Value
			Per Unit	Value	Per Unit	Value
<u>Dollars</u>						
PLANT BED						
Fumigant	lb.	5.0	.65	3.25	.68	3.40
Fertilizer	cwt.	.5	2.25	1.13	4.50	2.25
Seed	oz.	.1	8.00	.80	11.00	1.10
Fungicide	lb.	12.5	.10	1.25	.11	1.38
Insecticide	lb.	.33	.60	.20	.75	.25
Framing material	---	---	---	2.50	---	3.35
Plastic covers	sq. yd.	60.0	.06	3.60	.10	6.00
Tractor (small) 2/	hr.	.65	2.44	1.59	3.54	2.30
Equipment 2/	hr.	.65	---	4.04	---	5.48
Labor	hr.	10.15	1.40	14.21	1.77	17.97
Interest on operating capital (8 mos.)	dol.	---	.07	1.40	.09	2.37
			Sub-total		33.97	45.85
PRE-HARVEST						
Nematicide	lb.	56.0	.50	28.00	.51	28.56
Fertilizer	cwt.	16.0	2.50	40.00	5.00	80.00
Herbicide	gal.	1.0	15.00	15.00	16.00	16.00
Insecticide	gal.	1.0	15.00	15.00	15.60	15.60
Sucker control	gal.	3.0	5.89	17.67	9.00	27.00
Tractor (small) 2/	hr.	5.1	2.44	12.44	3.54	18.05
Tractor (large) 3/	hr.	3.75	2.69	10.09	3.90	14.63
Equipment 3/	hr.	---	---	14.34	---	19.36
Insurance	\$100	12.5	5.00	62.50	5.00	62.50
Labor	hr.	65.2	1.40	91.28	1.77	115.40
Interest on operating capital (8 mos.)	dol.	---	.07	10.08	.09	16.70
			Sub-total		316.40	413.80
HARVEST COSTS						
Fuel	gal.	408	.18	73.44	.38	155.04
Electricity	kil. hr.	63	.02	1.26	.03	1.89
Twine	lb.	5.0	1.12	5.60	2.85	14.25
Sticks	---	---	---	4.11	---	6.00
Sheets	---	---	---	1.86	---	2.49
Tying machine 4/	hr.	11.1	2.81	31.19	3.15	34.97
Tractor (large) 3/	hr.	16.6	2.69	44.65	3.90	64.74
Trailer	hr.	16.6	.69	11.45	.90	14.94
Truck	lb.	2100.0	.0048	10.08	.0067	14.07
Barn 5/	acre	1.0	58.67	58.67	78.62	78.62
Marketing	lb.	2100.0	3%0.85	53.55	3%0.01	63.63
Labor	hr.	175.0	1.40	245.00	1.77	309.75
			Sub-total		540.86	760.39
			Total Expenses 6/		891.23	1220.04
			Costs per pound 6/		.424	.581

1/ Costs are calculated for tobacco primed by walking primers, with the leaf put on sticks by tying machine, and cured in conventional barn. 2/ Fixed costs of machinery based on 500 hours annual use of tractor and corresponding use of equipment. 3/ Fixed costs of machinery based on 750 hours annual use of tractor and corresponding use of equipment. 4/ Fixed costs based on 128 hours use annually. 5/ Fixed costs based on curing 11.55 acres of tobacco annually. 6/ Excluding charge for land, management, and tobacco allotment.

Table 2.--Estimated costs per acre for flue-cured tobacco, bulk barn, 1972 and 1974 1/

ITEM	UNIT	QUANTITY	1972		1974		
			PRICE PER UNIT	VALUE	PRICE PER UNIT	VALUE	
Dollars							
PLANT BED	(same as Table 1)			33.97		45.85	
PRE-HARVEST	(same as Table 1)			316.40		413.80	
HARVEST COSTS							
Fuel	gal.	362.0	.18	65.16	.38	137.56	
Electricity	kil.hr.	840.0	.02	16.80	.03	25.20	
Sheets	---	---	---	1.86	---	2.49	
Riding primer	2/	5.0	7.06	35.30	9.18	45.90	
Tractor	3/	10.2	2.69	27.44	3.90	39.78	
Trailer	hr.	10.2	1.31	13.36	1.70	17.34	
Truck	lb.	2100.0	.0048	10.08	.0067	14.07	
Barn	4/	1.0	122.28	122.28	165.65	165.65	
Marketing	acre	2100.0	3%@.85	53.55	3%@1.01	63.63	
Labor	hr.	105.0	1.40	147.00	1.77	185.85	
Sub-total							
"Total Expenses							
5/							
Costs per pound							
.402							
697.47							
843.20							
.551							

1/ Costs are calculated for tobacco primed by self-propelled priming aid and cured in bulk barn.

2/ Fixed costs for riding primer based on 58 hours annual use.

3/ Fixed costs of tractor based on 750 hours annual use.

4/ Fixed costs based on curing 11.55 acres tobacco annually.

5/ Excluding charge for land, management, and tobacco allotment.

Table 3.--Flue-cured tobacco prices and parity index, 1959-1974

Year	Parity Index	Price Per Pound		Farm Price-Support Level Difference
		Average Received By Farmers	Support Level	
		Cents		
	<u>1959=100</u>			
1959	100.0	58.3	55.5	2.8
1960	100.7	60.4	55.5	4.9
1961	101.3	64.3	55.5	8.8
1962	103.0	60.1	56.1	4.0
1963	104.7	58.0	56.6	1.4
1964	105.0	58.5	57.2	1.3
1965	107.7	64.6	57.7	6.9
1966	112.1	66.9	58.8	8.1
1967	114.8	64.2	59.9	4.3
1968	119.1	66.6	61.6	5.0
1969	125.2	72.4	63.8	8.6
1970	130.9	72.0	66.6	5.4
1971	137.6	77.2	69.4	7.8
1972	145.0	85.3	72.7	12.6
1973	166.4	88.1	76.6	11.5
1974	186.0 <u>1/</u>	100.9 <u>2/</u>	83.3	17.6 <u>3/</u>

Source: Agricultural Prices, Annual Summary 1973, and monthly issues, 1974.

1/ Average for January 15-July 15, 1974.

2/ Gross sales through September 12, 1974.

3/ The largest previous difference was 16.2 cents in 1946.

reduce the costly labor input. Development of bulk barns and mechanical harvesters permits labor reductions for harvesting and market preparation of up to 75 percent. This year, farmers have found it difficult to adjust to the high cost of fuel and fertilizer. Current cultural practices demand fairly large quantities of these two items per acre of tobacco.

Implications

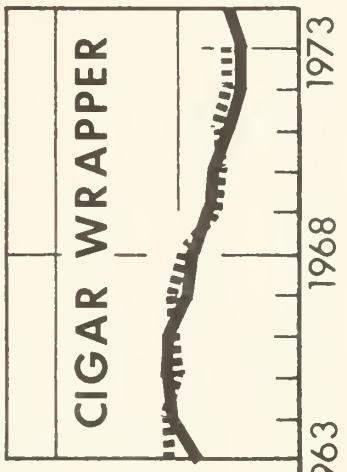
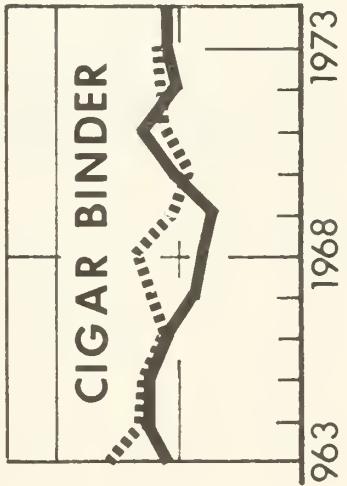
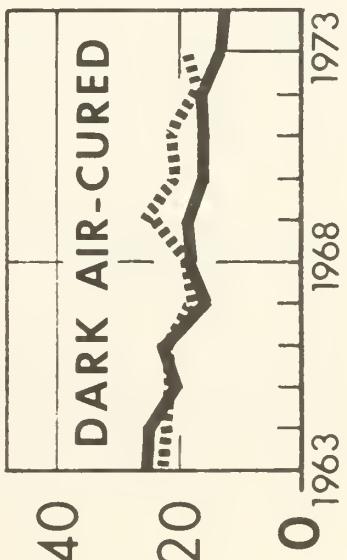
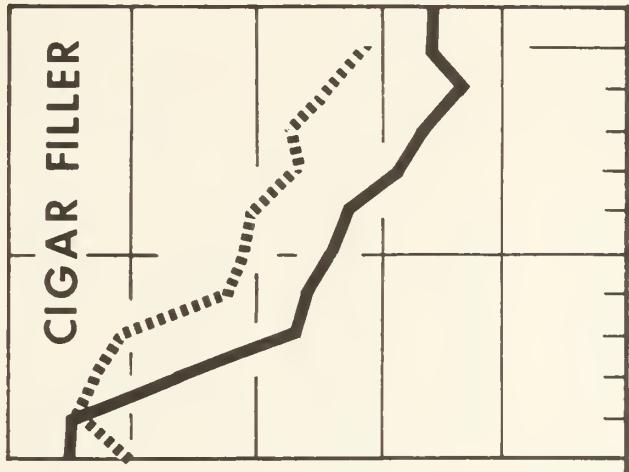
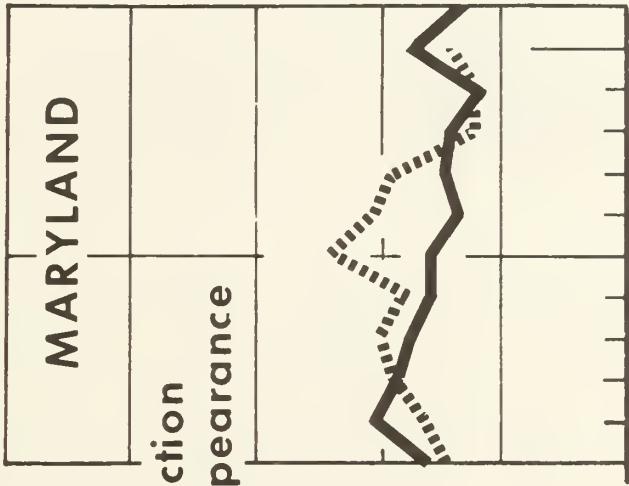
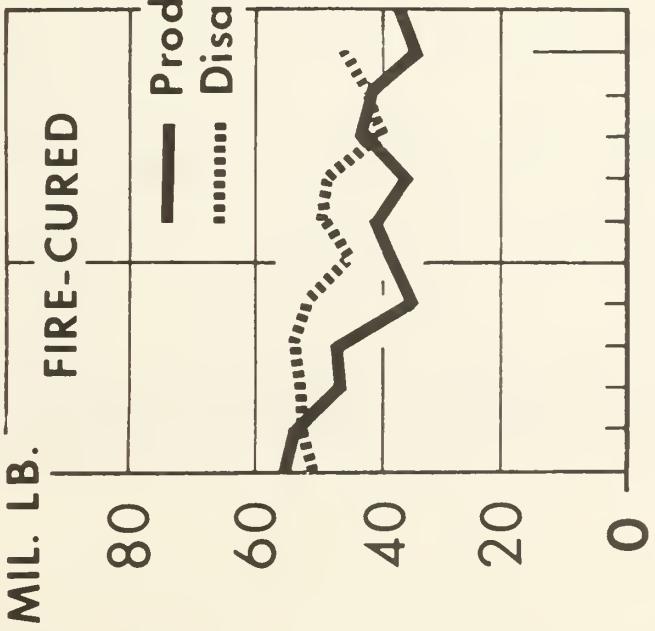
A projected average sale price of \$1.01 per pound for flue-cured tobacco would about keep pace with sharply rising production costs for tobacco this marketing year. This applies to both conventional and bulk barn harvest systems. However, as in the

rest of the economy, the purchasing power of the tobacco farmer's dollar has declined.

Higher prices for goods and services bought by farmers this calendar year will be reflected in increased price support levels over the next 3 calendar years (1975-77). This assumes the parity index does not decline in 1975 and 1976 and farmers elect to continue under the tobacco program when they vote again in 1976.

The effect of higher input costs on tobacco production will vary among farms. To offset higher costs, farmers may adopt labor-saving technology and attempt to better manage their use of labor, fuel, fertilizer, and other inputs.

PRODUCTION AND USE, U.S. TOBACCO



U.S. DEPARTMENT OF AGRICULTURE

DATA FORECAST FOR LATEST YEAR
NEG. ERS 260-74 (9)

1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974
1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974
1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974
1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974

STATISTICAL SUMMARY

Item	Unit or	1973		1974		: Last data as percentage of a year earlier
	base	July	August	June	July	
	period					
Average price at auctions						
Flue-cured	Ct. per lb.	85.1	87.2	Closed	88.6	103.5
Burley	Ct. per lb.	C - 1 - o - s - e - d	C - 1 - o - s - e - d			119
Maryland	Ct. per lb.	C - 1 - o - s - e - d	88.5	Closed		---
Virginia fire-cured	Ct. per lb.	C - 1 - o - s - e - d	C - 1 - o - s - e - d			---
Ky.-Tenn. fire-cured	Ct. per lb.	C - 1 - o - s - e - d	C - 1 - o - s - e - d			---
Ky.-Tenn. dark air-cured	Ct. per lb.	C - 1 - o - s - e - d	C - 1 - o - s - e - d			---
Virginia sun-cured	Ct. per lb.	C - 1 - o - s - e - d	C - 1 - o - s - e - d			---
Support price 1/						
Flue-cured	Ct. per lb.	76.6		83.3		109
Burley	Ct. per lb.	78.9		85.8		109
Maryland	Ct. per lb.	No support		No support		---
Virginia fire-cured	Ct. per lb.	53.5		58.2		109
Ky.-Tenn. fire-cured	Ct. per lb.	53.5		58.2		109
Ky.-Tenn. dark air-cured	Ct. per lb.	47.6		51.8		109
Virginia sun-cured	Ct. per lb.	47.6		51.8		109
Connecticut Valley						
cigar binder	Ct. per lb.	54.6		59.4		109
Wis. binder and Ohio filler	Ct. per lb.	39.5		42.9		109
Puerto Rican filler	Ct. per lb.	41.0		44.6		109
Parity index 2/	1967=100	146	151	166	168	173
Industrial production index 3/	1967=100	126.7	126.4	125.8	125.7	125.2
Employment	Mil.	86.4	85.9	87.2	88.0	87.6
Personal income 4/	Bil. dol.	1,056.1	1,067.6	1,143.5	1,158.5	1,165.2
		1973		1974		
		June	July	May	June	July
Taxable removals						
Cigarettes	Bil.	50.8	43.5	52.8	46.2	91
Cigars and cigarillos	Mil.	599.9	474.4	517.8	496.6	83
Accumulated from Jan. 1						
Cigarettes	Bil.	290.6		249.0	295.2	102
Cigars and cigarillos	Mil.	3,451.8	3,926.2	2,588.6	3,065.2	89
Invoiced to domestic customers						
Accumulated from Jan. 1						
Smoking tobacco	Mil. lb.	25.6		24.3		95
Chewing tobacco	Mil. lb.	36.4		38.5		106
Snuff	Mil. lb.	12.9		12.3		95
Tax-exempt removals						
Cigarettes	Bil.	4.2		5.8	5.5	131
Exports	Bil.	2.9	3.1	5.0	3.8	135
Cigars and cigarillos	Mil.	16.4	8.3	10.2	8.1	49
Accumulated from Jan. 1						
Cigarettes	Bil.	27.2	31.7	25.4	30.5	121
Exports	Bil.	19.5	22.6	19.1	22.9	120
Cigars and cigarillos	Mil.	76.6	84.9	57.3	65.4	85
Invoiced for export						
Accumulated from Jan. 1						
Smoking tobacco	Mil. lb.	8.0		5.0		63
Chewing tobacco	Mil. lb.	---		---		---
Wholesale price indexes 5/						
Cigarettes (reg. nonfilter)	1967=100	126.3	126.3	140.2	140.2	140.2
Cigars	1967=100	112.2	112.2	116.7	117.3	117.6
Smoking tobacco	1967=100	124.0	124.0	129.2	129.2	129.2
Plug chewing tobacco	1967=100	128.8	128.8	131.5	131.5	131.5
Snuff	1967=100	144.2	144.2	157.1	157.1	157.1
Consumer price indexes (urban) 6/						
Cigarettes (reg. nonfilter)	1967=100	138.9	139.3	142.3	144.8	146.6
Cigarettes (filter tip king)	1967=100	139.6	140.0	142.4	145.5	147.1
Cigars (domestic reg. size)	1967=100	113.0	113.5	118.7	119.4	119.9
Imports of tobacco						
Cigarette leaf	Mil. lb.	13.4	12.1	15.1	16.3	15.7
Cigar tobacco 7/	Mil. lb.	8.1	7.8	7.4	26.6	11.9
Accumulated from Jan. 1						
Cigarette leaf	Mil. lb.	84.4	96.6	79.3	95.6	111.3
Cigar tobacco 7/	Mil. lb.	62.7	70.4	52.3	64.2	76.1

See footnotes at end of table.

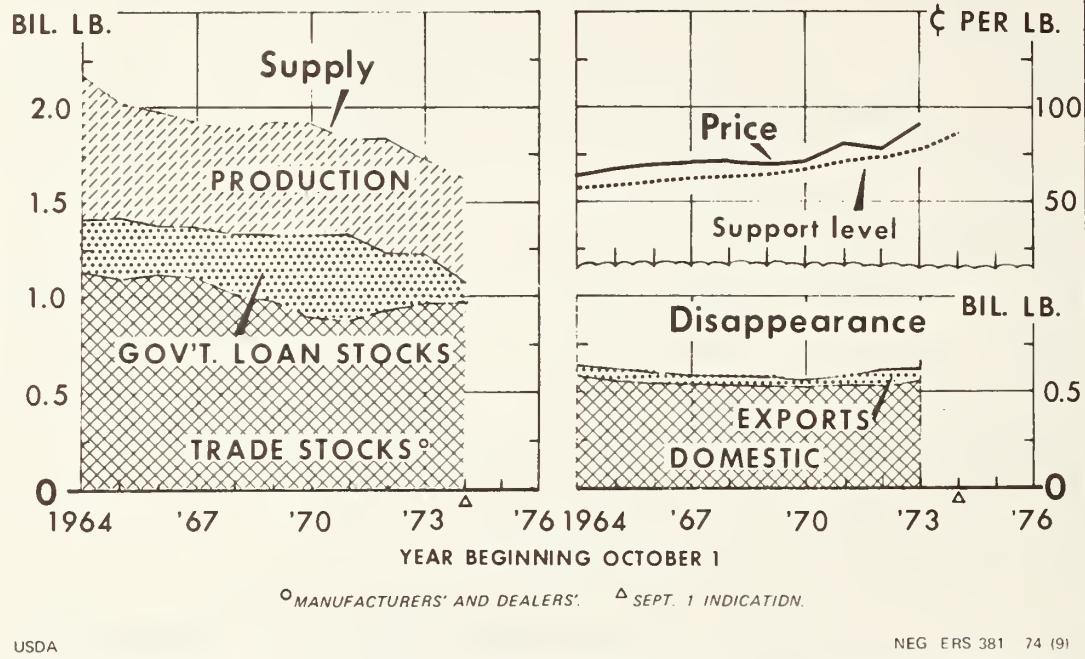
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STATISTICAL SUMMARY--CONTINUED

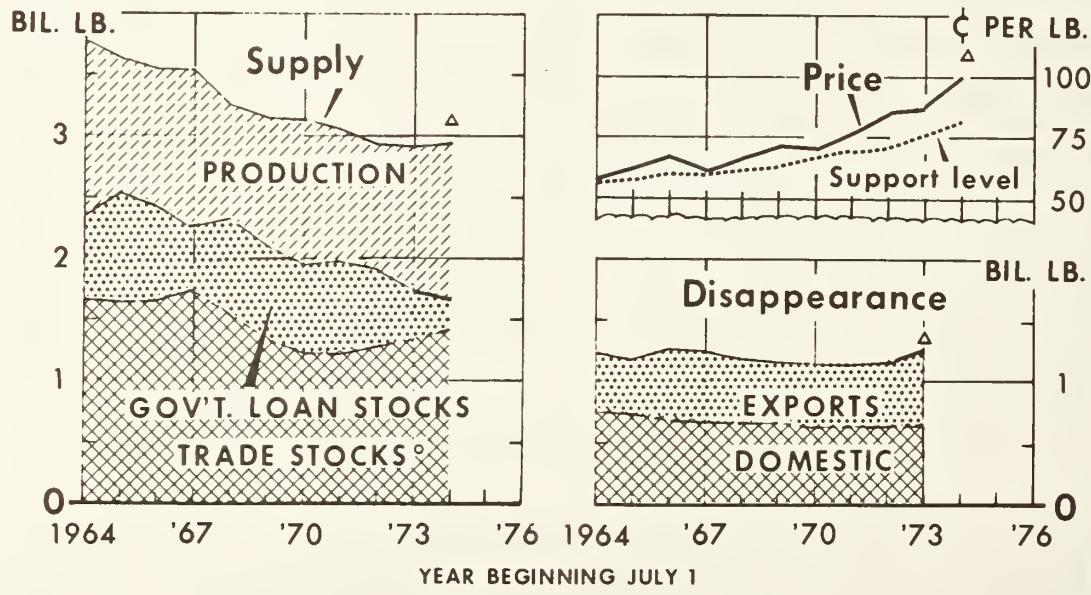
Item	Unit or base period	1973		1974			Last data as percentage of a year earlier
		June	July	May	June	July	
Exports of leaf tobacco (farm-sales weight)							
Flue-cured	Mil. lb.	38.1	35.7	44.5	55.1	33.7	94
Burley	Mil. lb.	9.6	7.9	12.8	11.8	9.1	115
Maryland	Mil. lb.	.4	1.0	.3	.7	2.8	280
Virginia fire- & sun-cured	Mil. lb.	.1	.1	.3	.9	.4	400
Ky.-Tenn. fire-cured	Mil. lb.	1.1	.5	2.0	1.3	3.1	620
Ky.-Tenn. dark air-cured	Mil. lb.	*	.1	*	.1	.2	200
Black fat	Mil. lb.	.3	.2	.1	.3	.2	100
Cigar wrapper	Mil. lb.	.3	.2	.6	*	.1	50
Connecticut binder	Mil. lb.	*	*	*	.1	0	---
Wisconsin binder	Mil. lb.	*	*	0	0	*	---
Accumulated from beginning of marketing year 8/							
Flue-cured	Mil. lb.	518.8	514.9	598.0	598.0	598.0	115
Burley	Mil. lb.	52.4	60.3	53.1	64.9	74.0	123
Maryland	Mil. lb.	8.2	9.2	5.7	6.4	9.2	100
Virginia fire- & sun-cured	Mil. lb.	3.6	3.7	5.2	6.1	6.5	176
Ky.-Tenn. fire-cured	Mil. lb.	16.4	16.9	14.9	16.2	19.3	114
Ky.-Tenn. dark air cured	Mil. lb.	.5	.6	.4	.5	.8	133
Black fat	Mil. lb.	2.4	2.6	1.7	1.9	2.1	82
Cigar wrapper	Mil. lb.	3.2	3.2	2.3	2.4	2.4	75
Connecticut binder	Mil. lb.	.1	.1	*	.1	.1	100
Wisconsin binder	Mil. lb.	*	*	0	0	*	---
Cigar filler	Mil. lb.	.2	.2	.7	.7	.7	350
Exports of manufactured tobacco in bulk							
Accumulated from Jan. 1	Mil. lb.	1.2	3.6	2.8	3.7	4.1	114
	Mil. lb.	9.4	12.9	12.8	16.5	20.6	160
		Quarterly data					
		1973		1974			
		Apr.-June	July-Sept.	Apr.-June	July-Sept.		
Stocks of tobacco—1st of quarter 9/							
Domestic types (farm-sales weight)							
Flue-cured	Mil. lb.	2,037	1,749	1,927	1,607	1,607	92
Burley	Mil. lb.	1,530	1,384	1,377	1,217	1,217	88
Maryland	Mil. lb.	43	60	40	68	68	113
Fire-cured	Mil. lb.	83	74	73	64	64	86
Dark air- and sun-cured	Mil. lb.	57	52	51	46	46	88
Cigar filler	Mil. lb.	83	76	70	67	67	88
Cigar binder	Mil. lb.	56	52	55	50	50	96
Cigar wrapper	Mil. lb.	20	18	17	15	15	83
Under Government loan 10/	Mil. lb.	749	708	474	433	433	61
Tobacco sheet 11/							
Cigarette types	Mil. lb.	24.7	23.5	22.1	23.0	23.0	98
Cigar types	Mil. lb.	1.8	1.9	1.4	1.6	1.6	84
Foreign types (farm-sales weight)							
Cigarette and smoking	Mil. lb.	431	455	477	497	497	109
Cigar	Mil. lb.	114	114	120	124	124	109
Tobacco outlets 12/							
Seasonally adjusted data, annual rates, for charts, p.2							
Cigarettes							
Production	Bil.	632.0	622.8	632.4	648.0	648.0	104
Taxable removals	Bil.	578.8	567.6	569.6	589.0	589.0	104
Large cigar production	Bil.	7.0	6.6	5.8	6.0	6.0	91
Smoking production	Mil. lb.	52.6	58.4	45.3	55.2	55.2	95
Chewing production							
Loose leaf	Mil. lb.	46.0	47.2	48.7	49.7	49.7	105
Plug and other	Mil. lb.	25.8	27.8	26.2	27.8	27.8	100
Snuff production	Mil. lb.	24.8	24.8	25.1	24.8	24.8	100
Exports of leaf							
Total	Mil. lb.	656.4	578.2	854.7	644.0	644.0	111
Flue-cured	Mil. lb.	489.7	460.9	623.4	508.0	508.0	110

1/1973 and 1974 crops respectively. 2/Prices paid by farmers including interest, taxes and wage rates. 3/Seasonally adjusted. 4/Seasonally adjusted, annual rate. 5/Excise tax excluded. 6/Federal and applicable State and local taxes included. 7/Farm-sales weight equivalent. 8/July 1 for flue-cured and cigar wrapper and October 1 for others. 9/Holdings of manufacturers and dealers including grower cooperatives. 10/Reported by grower cooperatives. 11/Weight of tobacco leaf not including stems added. 12/Data for most recent quarter are preliminary estimates. *Less than 50,000 pounds.

BURLEY TOBACCO: SUPPLY, PRICE, AND USE



FLUE-CURED TOBACCO: SUPPLY, PRICE, AND USE



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SEPTEMBER 1974

OUTLOOK CONFERENCE SCHEDULED FOR DECEMBER 2-5, 1974

"U.S. Agriculture in the World Economy" is the theme for the 1975 National Outlook Conference to be held December 2-5 at the U.S. Department of Agriculture in Washington, D.C.

The conference will feature presentations and panel discussions. Particular attention will be given to the outlook for agriculture and the general economy in 1975. Sessions on the 1975 outlook for

major commodities, foreign trade, and rural family living will make up an important part of the conference as usual. USDA's Economic Research Service and Extension Service sponsor the conference. More time will be available for commodity sessions. The schedule for individual sessions will be announced later. As in the past, a session will be devoted to the outlook for tobacco.